Nation's Business

USEFUL LOOK AHEAD

NOVEMBER 1962

PRESIDENT'S CHIEF ECONOMIC ADVISER TELLS Why we must Cut taxes PRESIDENT'S CHIEF ECONOMIC ADVISER TELLS TELLS Page 40

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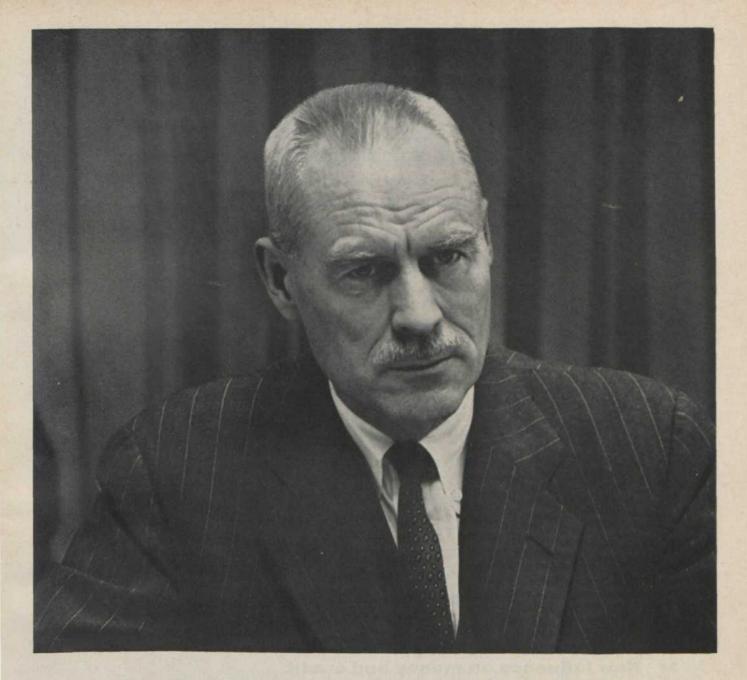
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Nation's Business

November 1962 Vol. 50 No. 11 Published by the Chamber of Commerce of the United States Washington, D.C.

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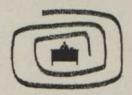
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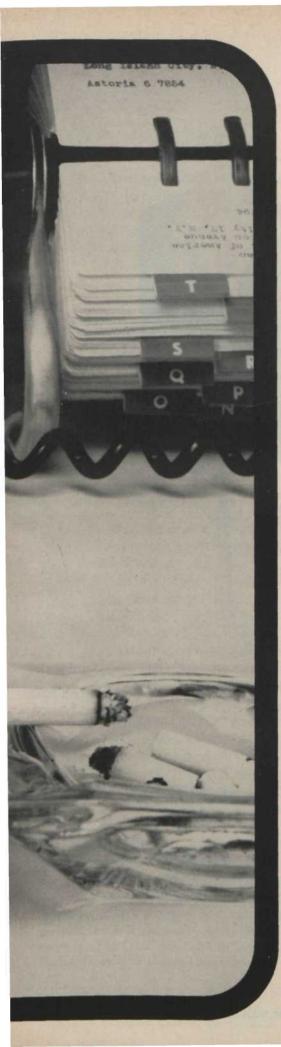
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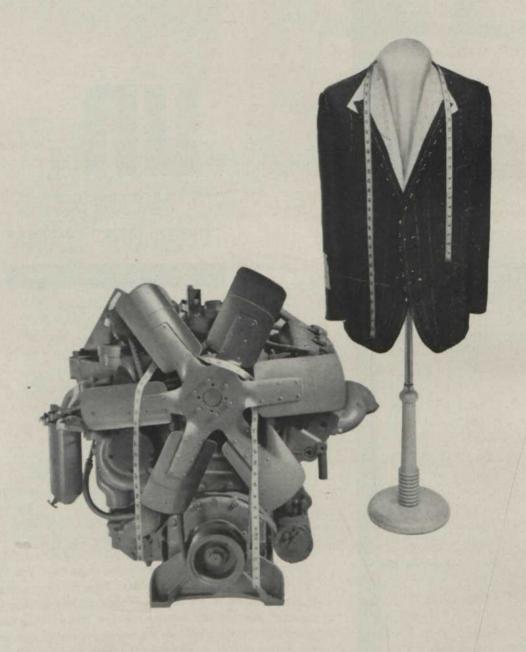
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GENERAL DYNAMICS



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WASHINGTON BUSINESS OUTLOOK

The outlook for '63 is generally favorable.

But don't count on a trouble-free year for all industries.

This view of what's ahead is shared by a wide sampling of government economists and Washington officials as well as businessmen across the country.

A good over-all average performance is in prospect. But the outlook may become increasingly clouded by a new squeeze on profits already getting under way in some industries.

"The business news next year will be spotty
—with intermittent reports of both favorable
and unfavorable changes," one economist says.

"In some respects," this analyst explains, "the '63 economic forecast now reads like a familiar quotation from the weather bureau—'generally fair, with occasional showers, and some little chance of thunderstorms."

The next six to 12 months will pose a major test for American business and political leadership.

Some economic indicators are signaling a possible crest in general business by early 1963.

Real recession coming?

Many economists warn we cannot rule out the possibility that adverse near-term developments will converge in '63 or '64 with some of the more basic disturbances—such as excessive industrial capacity, intense competition at home and abroad, imbalance of our international payments, and a general absence of shortages to help bolster consumer demand.

They add, however, that generally favorable business conditions will provide the opportunity and time to initiate determined and vigorous programs to ferret out weaknesses and build greater strength in individual organizations in the economy as a whole.

"We must not be lulled by somewhat better business this fall and winter into thinking that our economic problems for the 1960's have been solved," a business economist cautions.

"As we make our plans for the coming year it will be essential to avoid getting hopes ahead of ability to perform.

"A good year in '63 can become a better year if all of us will get to work now to make it so."

He suggests that government can help by providing a better political-economic environment. Businessmen can make more risk-taking investments, speed innovation and put more cost-saving ideas to work.

Specifically, some analysts suggest, there must be a step-up in new and improved products and services carefully designed to appeal to the current and future wants of the consuming public—and particularly the emerging host of maturing war babies.

It will be these maturing war babies who increasingly will shape the form, direction and tempo of the nation's future economic affairs.

Near-term business outlook? Very good for most parts of the country.

Surprisingly good for many of those who have been persistently pessimistic since the middle of the year.

Most areas can expect to have the biggest Christmas season ever.

Despite the poor showing of some economic indicators, 1962 now seems likely to set new record highs for most measures of business activity.

"The principal shortcoming about general business in '62," says one economist, "has been that too many people wrongly expected too much this year. Thus the year, although decidedly good for most industries, has seemed disappointing."

Government took part in wrong foreguessing. Official thinking last January was that total

production of goods and services this year would reach \$570 billion—some \$50 billion above last year.

It won't. So far our national output is running around \$15 billion below that optimistic goal.

Government also forecast that unemployment would go down to about four per cent by next spring.

Some economists thought it would do that by this fall.

View is different now. With jobless rate running troublesomely higher than five per cent, economists have quit guessing at the time when unemployment might decline to four.

There's a mixed feeling among manpower specialists that, as new people join the work force in coming months, the jobless total will creep somewhat higher before it goes down.

Government guessed well on one count.

Despite the jobless rate, almost 70 million Americans are working at the best wages ever and factory workers the nation over are putting in an average of more than two hours and 45 minutes a week at overtime pay.

For personal income the Budget Bureau and U. S. Treasury predicted a \$448 billion total.

This has a good chance of panning out.

New highs are being set by wage and salary workers, business and professional people; dividends are continuing to inch upward; interest payments to people have just topped all records. Only farm income is making a poor showing.

All this adds up to the prospect that personal income will reach the government's expectation, and Uncle Sam will collect close to \$50 billion in personal income taxes.

Tax cuts—if voted soon enough next year—will hike business prospects for the period ahead. There's this general view in Washington:

It's a good bet that tax reduction will be voted—after much congressional debate about how to cut, how much, which taxes will be raised.

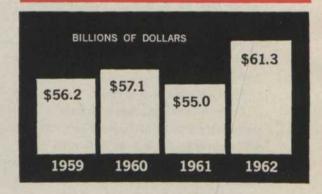
It's a good idea to keep in mind, too, that the kind of tax reform you would prefer might not mesh with your congressman's views unless you make your ideas known to him.

The President's chief economic adviser, Walter W. Heller, on page 40, tells why taxes must be cut.

Another good auto year coming up.

Automotive industry-including cars, sales of tire, battery and accessory stores, and gaso-

Automotive retail sales set new record



line service stations—scored a whale of a record in 1962. The industry expects to wind up a \$61.3 billion year.

That compares with \$55 billion last year, tops all other years as well.

Key industry spokesmen predict next year will be about as good as this one.

That federal revenue loss from lower profits you keep hearing about is a paper loss.

WASHINGTON BUSINESS OUTLOOK

It never existed at all.

Here's the story from the beginning:

Official Uncle Sam estimate for profits this year was \$56.5 billion.

That would have been a spectacular climb from \$45.5 billion last year.

Out of this amount government would take a record \$26.6 billion as corporation income taxes.

But profits haven't risen that much so tax collections are falling short as well.

One economist asks: "Why didn't government set the profit forecast at say \$65 billion? That estimate would have been only a little more extravagant and bureaucrats could have moaned about a really large tax loss."

Many executives wondered from the start why official government estimates were so high. Few believed profits would rise that much.

Unofficial guess now is that earnings will do well to hold at \$50 billion before taxes.

In any period of economic change such as now—keep this in mind:

Some businesses are moving ahead rapidly, others aren't.

Sales of one chemical company are running more than 12 per cent ahead of last year. Profits are up about one third.

Another company's sales are up 15 per cent. Profits are nearly a fifth higher.

Although typical of many firms in this industry, these increases are not shared by all.

For example, one company has boosted sales by nine per cent while profits have gone down 10 per cent.

Still another has hiked volume by 32 per cent, accompanied by a profit plunge of 10 per cent.

In the face of these profit dips, one firm in the same general line has managed to boost earnings by two thirds on a 20 per cent volume increase.

Profit margins appear to be shifting in all directions.

That shows up from individual company reports as well as government survey of all manufacturing corporations.

(See chart for trend line.)

Although total profits are somewhat above previous periods, it's clear that profits are

How profit margins are shifting—up and down



earned on higher volume rather than improved margins.

In the first three months of 1960 U. S. factories sold \$85.8 billion worth of goods.

In the second quarter of this year, latest for which complete information is available, sales amounted to \$99.1 billion.

Profit margin? Same for both periods.

Know what your federal taxes buy?

Flood control, protection from racketeers and gangsters, national defense, new roads—other things as well.

For example, suppose your personal tax bill comes to \$4,600. (It will be that much or more this year for about a million taxpayers.)

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Business opinion:

Work of government laboratories defended

PROF. V. LAWRENCE PARSEGIAN'S "Makework Projects Waste U. S. Brain Power" [September] on the mission of the government laboratories, particularly the Oak Ridge National Laboratory, overlooks so many essential points as to convey a totally incorrect impression.

Professor Parsegian should have recognized that the federal government is continually confronted with large-scale technological problems that must be solved in the national interest and that can best be attacked in large, elaborate facilities.

Aside from defense (which he concedes is properly a concern of government laboratories), the problems of water shortage and water pollution, or chemical contamination of the environment, or obtaining a long-term alternate energy source to replace our finite fossil fuels fall into this category. As these important problems emerge, responsible government must mobilize to solve them.

In too many cases in the past the government has responded to these needs by building new facilities, either at completely new sites or at existing sites such as universities.

Common prudence dictates that wherever possible the government exploit and use people and facilities that are already available. This consideration was the primary basis for the decision taken by the Atomic Energy Commission and the Department of the Interior to launch a small water desalting program at the Oak Ridge National Laboratory.

The idea of using facilities controlled by one agency to help out in the work of another agency is obviously in the national interest. The alternative—to establish new and expensive facilities—wastes taxpayers' money.

Our involvement with water already seems to be leading to new and promising insights into the application of nuclear energy to the economical desalting of the sea. Rather than support the implication that our people do "make work," the results to date of our water project strongly justify the government's foresight in using existing facilities and people rather than new facilities and people.

With respect to Professor Parsegian's argument that the government laboratories ought not to participate in graduate scientific education, I have only two points.

First, interweaving of government laboratories and universities is an old story in our country. In 1901 Congress passed a joint resolution sanctioning the use of federal laboratory facilities and staffs for educating graduate students. Such activities have proliferated to the advantage both of the universities and the laboratories.

Second, our shortage of technical manpower is too severe to allow any of our competent scientists, whether in government, universities, or industry, the luxury of scientific eunuchism. The government laboratories are a rich source of competent researchers; contact with such individuals by graduate students would be illuminating.

The Oak Ridge National Laboratory is and continues to be a major instrument of the Atomic Energy Commission in developing a long-term energy source. As a publicly supported institution, I believe it ought also to participate wherever its unique facilities and dedicated people can contribute to the solution of urgent problems faced by the government.

ALVIN M. WEINBERG Director Oak Ridge National Laboratory Oak Ridge, Tenn.

Professor Parsegian accuses the AEC laboratories of maintaining their staff and facilities at an artificially high level and cites the particular case of Oak Ridge National



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Business opinion:

Laboratory entering the field of water desalinization. The implication is that this particular work is not suitable for a laboratory such as Oak Ridge and that the work should be done by other people, presumably at such institutions as Rensselaer.

Perhaps this argument can best be destroyed by pointing out that, had anybody else felt the desperate urge to conduct this work, he also could have approached the Department of Interior for support.

ALBERT V. CREWE Director Argonne National Laboratory Argonne, Ill.

Getting the message

I want to offset Felix Morley's attack against John Dewey and educationists in your September issue. In business you know the need to have both a message and a talented method of communication if you will get the message across. So long as students say of teachers, "He knows his stuff but he can't put it across," we have need for more rather than less teaching of educational methods.

There is no debate about whether schools should encourage discipline. No educationists advocate the development of slobs. There is debate about whether schools will be satisfied to secure that kind of discipline which is acquiescent conformity to powerful police power or whether we should develop a self-disciplined student who actively works for order and right even when the policeman or the teacher is somewhere out of the room.

RICHARD S. MITCHELL San Jose, Calif.

Six favorites

We would like permission to adapt the following for our monthly management publication:

"Why You and Your Boss Disagree" [May, 1960], "Put Cliques to Work for You" [August, 1958], "How to Undo a Mistake" [June, 1958], "Turn Poor Work Habits into Good" [November, 1958], "Get Action from Your Decisions" [July, 1958], "Good Leaders Do These Things" [March, 1959].

RICHARD WHITE Staff Assistant Public Relations The Southern New England Telephone Co, New Haven, Conn.

OAS to study NB

The Organization of American States has recently approved the establishment of the Inter-American Defense College to give a war college-level course in all factors of Western Hemisphere defense. The students will be senior military officers from the member nations of the Organization of American States. Spanish will be the working language of the College.

As host nation, the United States is responsible for the administration and administrative support services of the College. The College has the strong support of the highest echelons of our government.

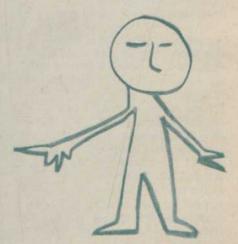
The College has selected "Economic Weakness Slows Kremlin's Plans" [March] for required reading in support of one of our courses of instruction. We would like to secure 10 copies and authorization to translate and reproduce in Spanish and Portuguese.

COL. JOHN N. HOWELL Chief of Administration Inter-American Defense College Washington, D. C.

What bureaucrats want

Your unique September editorial beginning "I am a worker in CBA Agency . ." left one thing unsaid about the work of a Washington bureaucrat.

In addition to telling cities a long way from Washington what they need, you should also quote your bureaucrat as saying: "My



purpose is to lure these cities into spending money they don't have, promising 'free' aid from Washington (to be gouged from taxpayers later)."

> W. H. JOHNSON North Syracuse, N. Y.

This editorial is one of the most concise summations of the increasing problem of big government that I have seen.

> BEN D. MITCHELL, JR. Director of Public Relations Middle South Utilities, Inc. New York, N. Y.



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Insures you against the two big losses all retailers face

Basically, the new Retail-Pak protects you two ways: 1. It covers the cost of damage losses to your store's contents caused by a wide range of perils. 2. It insures you against liability losses—the costs of accidental injury to other people, or damage to their property while in your store. In addition, the Retail-Pak offers you a great many optional coverages which may be added at savings in cost because of the economies possible under the "package" treatment.

How the Retail-Pak protects your property

Under the Retail-Pak, your stocks of merchandise, furniture, fixtures, and equipment are insured against damage from fire, windstorm, explosion, smoke, and many other perils. At no extra cost, the Retail-Pak includes \$1,000 extra expense insurance to cover the emergency costs of continuing business following damage to

your store premises and contents, \$500 insurance toward the expense of reproducing damaged or destroyed business records, and a specific amount of automatic insurance for 30 days to cover newly-acquired property which you may add at other store or warehouse locations.

Property damage optionals to fit your situation

At your option you can extend the Retail-Pak to include coverage on property losses due to sprinkler leakage, vandalism, malicious mischief, to name just a few. Also, you can cover property being transported in your vehicles, or otherwise temporarily off your premises; electrical signs, plate glass windows and their lettering, and improvements you install in rented quarters.

How Retail-Pak protects against liability losses

Retail-Pak liability insurance covers claims and lawsuits for bodily injury or property damage sustained on your business premises by the public and arising out of your operations. A resulting damage award against you will be paid, up to your policy limits, together with the legal expenses of your defense. The policy also provides for payment (up to the limits you select) of medical expenses incurred within one year after an accident by persons injured on your premises, even though you may not be legally liable to them.

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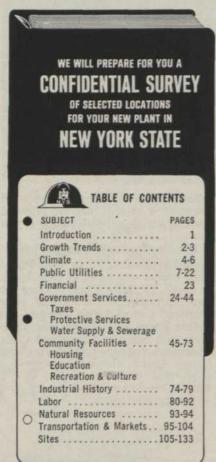
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Keith S. McHugh, Commissioner New York State Department of Commerce

Executive Trends

- Company tells employes: "Talk back"
 - · How to win future sales wars
 - Has management become a cult?

Giving your employes an opportunity to blow off steam can yield rich dividends in the form of improved morale and productivity.

O. E. McIntyre, Inc., a marketing firm with 1,300 employes, has confirmed this by holding quarterly meetings in which employes toss grievances and embarrassing questions at management. Several such sessions will be held this month.

The range of questions is wide. Many concern compensation, others deal with working conditions, vacation policy, pension benefits—even the quality of sandwiches and coffee dispensed from vending machines.

McIntyre officials, including president Randall P. McIntyre, field the questions. In addition, a management spokesman, at each meeting, reports to the employes on the state of the business.

"With an informal atmosphere," Mr. McIntyre told Nation's Business, "management is able to meet any question openly, not fearing to admit when it has goofed. In the long run this makes for high morale, since the employes find a therapeutic value in being able to criticize management to its face."

The ulcer is a bigger hazard in Soviet industry than it is here.

American doctors and others who have visited the Soviet Union support this conclusion.

Leon Herman, a Soviet affairs specialist for the Library of Congress, discovered in a trip to Russia this year that eight out of 12 Soviet plants he toured maintain special cafeterias where bland foods are served to ulcer-ridden managers and workers.

Mr. Herman says the stress of meeting monthly production quotas undoubtedly is an important cause of the high ulcer incidence in Russia. He points out that a Soviet manager who produces one per cent below his monthly quota receives only 70 per cent of his base pay. If the manager exceeds the quota by one per cent he gets a 40 per cent bonus.

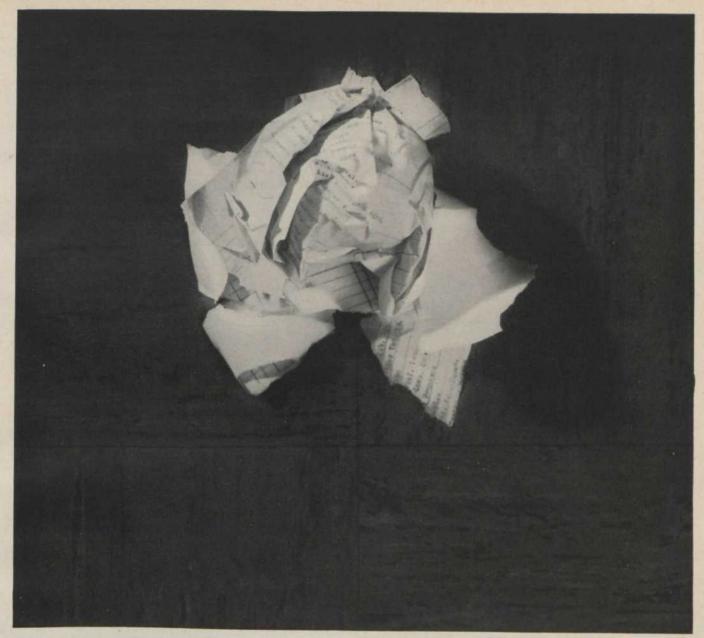
U. S. health authorities lay the ulcer problem in Russia to other factors, too, notably tensions arising from cramped living conditions.

Salesmen better stay on their toes. Those "customers" they're talking to could be secretly rating their ability to sell.

In Washington, D. C., the National Association of Retail Clothiers and Furnishers recently sent trained interviewers on necktie-buying forays into 87 men's wear stores. The interviewers found that most sales people they encountered did not do a creditable job of selling. Against a possible perfection rating of 100, the average score per salesman was only 25.9.

Where did the selling efforts break down?

Many salesmen failed to try for multiple sales, failed to search out customer's wants and tastes.



Stop making "wastebasket copies"... get a Transfer-a-matic®

Cost-per-copy figures can be all wet. There's quite a bit of skill needed to get good copies from so-called "simple" office copying machines.

Transfer-a-matic, however, gives perfect copies—not half the time—but every time! It's completely automatic—you just put the original into the slot. Transfer-a-matic turns itself



on, takes the original out of your hands, makes a perfect copy, hands back the original and the copy, then turns itself off!

Transfer-a-matic reduces copying costs because there are no "waste-basket copies." So take another look at that wastebasket and arrange for a Transfer-a-matic demonstration. See OZALID in the Yellow Pages under "Photocopy Machines" or send coupon today.

OZALID—General Aniline & Film Corporation, In Canada: The Hughes-Owens Co. Ltd., Montreal

OZALID, Dept. Binghamton, N Send me detail	
Name	
Firm	
Address	
City	State



WHO'S WATCHING THE STORE?

Ask a retailer, wholesaler or distributor about business insurance. He may make a wry face. Reason: many are carrying several policies, paying several premiums. Often there are holes in their coverage—or costly duplication. But now, Insurance Company of North America can change all that.

INA now offers wholesalers and retailers more complete, simplified protection. Does it with a single "package" policy called the INA Retailers-Wholesalers Policy. Does it at considerably lower cost than separate policies.



Coverage is broad. Buildings and their contents are protected against fire, lightning, sonic boom, vandalism, malicious mischief and lots more. Personal injury and property damage liability are included. And low-cost options are available to cover almost every contingency, including loss of income.

Insurance impersonal? With INA, you deal with one agent you'll grow to know and trust. He'll help you arrange a convenient payment plan—monthly, quarterly or yearly. And now for a word about INA claims service: Fast.

Why not phone your broker or INA agent about the INA Retailers-Wholesalers "package." See how much it covers. How simple it is. How little it costs. After all, who invented "package" insurance in the first place? That's right!



INSURANCE COMPANY OF NORTH AMERICA

World Headquarters: Philadelphia

EXECUTIVE TRENDS

continued

failed to explain product features, failed to try to interest the buyer in higher-priced items.

The study was directed by Dr. James Owens, associate professor of business administration at American University in Washington. The test shoppers were students trained for the job by Dr. Owens.

He says the study, while limited in scope, suggests that the selling function is being poorly performed at a time when the nation's economic growth requires maximum stimulation of consumer buying. In addition, he feels the study has implications for improving salestraining methods.

Tomorrow's successful companies will use marketing strategies which keep their competitors on the defensive.

That's the view of Donald R. Burrus, manager for advanced economic planning, Texas Instruments, Inc.

Mr. Burrus defines what he means by offensive and defensive strategies in market research and planning:

The defensive approach, he explains, is one in which a company fights to hold its market position, tailoring its strategy for reaction to competitors' actions.

While this effort can be productive, it is becoming increasingly important for marketing teams to go on the offense, Mr. Burrus says. New market opportunities must be pinpointed; new product ideas must be pressed; creativity must be encouraged at all levels; programs must be initiated to develop an absolute advantage over the competition in terms of share of market and profit position.

All of this, Mr. Burrus says, adds up to a need for more aggressive long-range planning attuned to the quickly changing economic environment.

Has management become too much of a fetish?

Assistant Secretary of the Air Force Joseph F. Imrie, a former vice president of the Carborundum Company, says it has.

Mr. Imrie believes too many busi-

ness problems have become "overcomplicated" and "shrouded with cult-like mysticism." He urges business to return to the fundamentals of business life, and to take a second look at some of the more "exotic management systems" which have evolved.

A specific in Mr. Imrie's charges: his experience with contractors in the multimillion dollar Air Force materiel program. Here he claims the Air Force and its contractors have found repeated examples of weaknesses in middle management—instances where "either sufficient recruitment has not occurred, training has been omitted," or—more often than not—middle managers are not being used in responsibilities that their level should require.

Acknowledging that there may be some merit to criticism that the Air Force has been overcontrolling the affairs of its contractors, Mr. Imrie says, "business has brought a great deal of control on itself through poor quality of some proposals, horrendous cost overruns and cases of poor reliability."

Advising others on how to run their business has itself become big business.

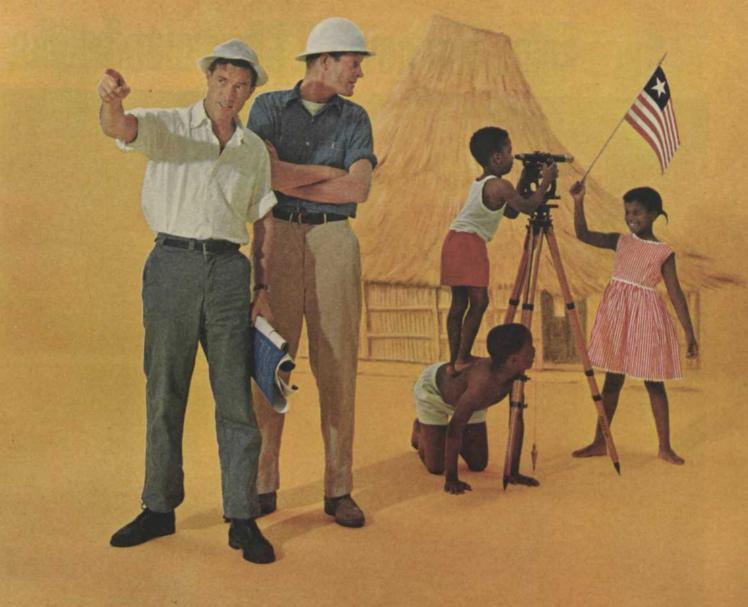
A joint study by the Society for the Advancement of Management and the National Office Management Association shows that consultants are now earning an estimated \$600 million a year.

Feeling tense? The trouble may be traceable to a lack of understanding of your company's policies.

Two University of Michigan researchers found after extensive study of executives in three companies that excess tension often arises when managers don't follow prescribed policy—either intentionally or through unwitting failure to understand the policy or its intent.

The researchers are Dr. Jonathan A. Slesinger, a sociologist, and Dr. Ernest Harburg, a social psychologist. Both are on the staff of the University's Institute for Social Research. For several years they have been investigating the phenomena in large organizations which cause stress. Dr. Slesinger says executives' "failure to play the role as written—a basic generator of stress—may arise because they have not

(continued on page 21)



VISION BY RAYMOND INTERNATIONAL INSURANCE BY NORTH AMERICA

Liberia's new frontier gets long-range insurance protection

Six years ago, huge iron-ore deposits were discovered in Liberia. Getting this ore to market meant laying track through some of the most rugged terrain in the world. A harbor had to be built to accommodate thousands of tons of shipping. Raymond International, Inc., a leading U. S.-based construction company, was given the job. Today this company is literally changing the face of Liberia.

It was only good sense that Raymond International chose Insurance Company of North America to cover

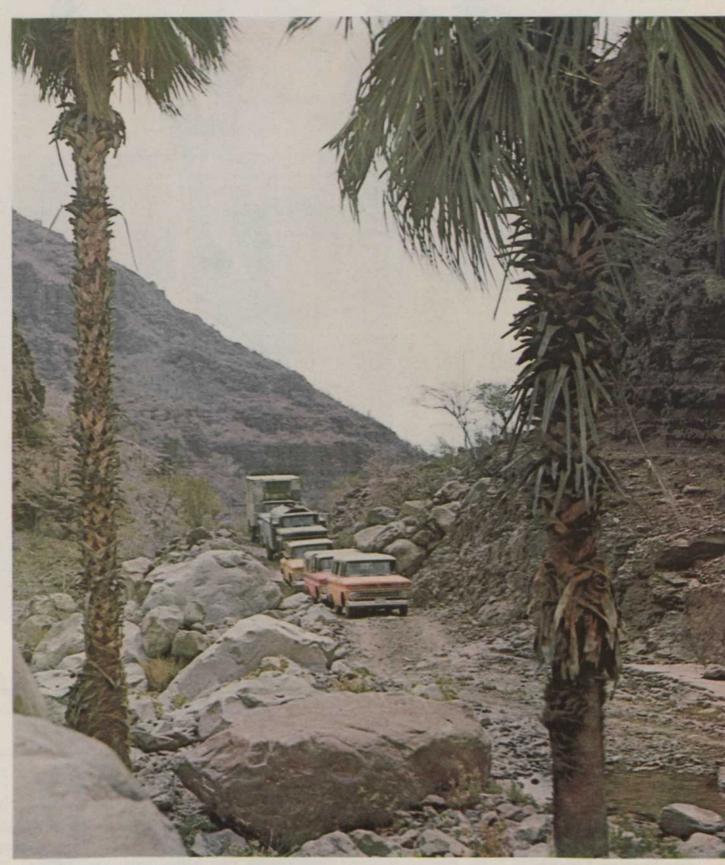
their Liberian project. Why? INA's 53 offices overseas and in Canada provide the same flexible service worldwide as INA offers businesses in the U.S.

Whether your operation is foreign or domestic, large or small, INA can custom-fit protection to your exact needs. INA has what it takes to streamline your insurance: experience, flexibility and more than \$1 billion in assets. Ask your INA agent or broker about protection for your business—and thrifty "package" coverage for your home, health, car and life.

INSURANCE COMPANY OF NORTH AMERICA

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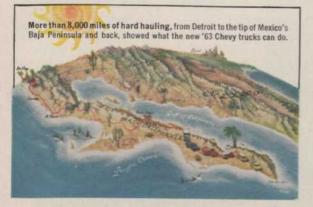
Here come the new 63 Chevrolet Trucks



Mexico's Baja wilderness brought out the best in new engines and chassis. Like nothing else could, this run tested the design and quality of every truck component—including the new Chevrolet truck 6-cylinder engines, the new light-duty coil-spring independent suspension and ladder-type frames and the new variable-rate front suspension in

medium- and heavy-duty trucks. For almost a month, traveling to the tip of the peninsula and back, the caravan of standard production '63 trucks (Fleetside Pickup, Stepside Pickup, Carryall, Series 60 Van, Series 60 Diesel and Series 80 Tandem) kept up a steady pace through boulder fields, cactus jungles, hub-deep sand and up towering grades.

....Work tested on the slam-bang Baja Run!



They whipped the toughest run under the sun — proved the cost-saving quality of new 6-cylinder engines, new suspensions, new frames...every '63 truck component!

Mexico's Baja (bah'hah) California Peninsula, stretching 1,000 miles south of Tijuana, is a land of scorching sun, endless desert, primeval cactus jungles, of towering, barren mountains. A road twists through this hot and silent place—a wilderness road made more for burros than motor vehicles. It bears no resemblance to the modern highways on the Mexican mainland.

Chevrolet, looking for the toughest performance challenge on the face of the map, selected this primitive Baja road as a testing site for the new 1963 Chevrolet trucks.

Six standard production 1963 models set out on the Baja run and virtually every foot of the way every wheel made jarring contact with rocks or ruts. Always, there was the dust, billowing up in yellow clouds, and the heat, sometimes rising to more than 120 degrees. And towering mountain ranges had to be crossed—treacherous switchback trails along sheer cliffs where loss of performance would have meant disaster.

No component was immune from the beating—every truck part had to take it or fail in a wilderness where failure is calamity. And, in the end, all of the new Chevrolets reached the end of the trail in first-class running order. Only normal maintenance and minor adjustments had been required—not once had progress been slowed because of mechanical difficulty.

Evidence enough of cost-saving Chevrolet truck quality. See the Baja-tested '63 models at your Chevrolet dealer's. . . . Chevrolet Division of General Motors, Detroit 2, Michigan.



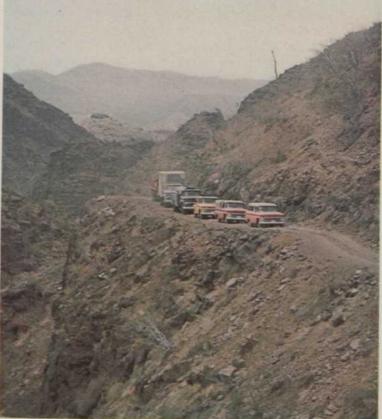
THE "NEW RELIABLES" FROM CHEVROLET

Rough going over rock-strewn roads challenged new Chevrolet truck coilspring independent front suspension (light-duty models) and new variable-rate front suspension (medium- and heavy-duty models).





◀ Yellow dust, fine as powder, billowed up continuously in blinding clouds as trucks forged ahead at speeds which seldom exceeded 10 miles per hour due to rough terrain.



Long grinds up the mountains on the narrow, rocky roads put both trucks and drivers to the severest test. Brakes, steering mechanisms, engines —every truck component had to perform perfectly. Failure in this region could have been disastrous.

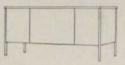




Deep sand slowed the caravan—but didn't stop it. Here's the '63 Chevy tandem, big 409 V8 putting out plenty of torque, plowing through.

◆ Canyon country, where trim new design (7" narrower) enabled the '63 medium- and heavy-duty Chevies to squeeze through the tight spots. This series 60 Van was powered by new Chevrolet truck 292 Six. Design
that says
Style,
at a price
that says
Compare

All-Steel's new 2500 DESIGN is more than a combination of beauty and efficiency. Its clean, straightforward lines set the style for today's offices. Its price creates a new standard of comparison in contemporary office furniture. See your All-Steel dealer or write for complete information.





EXECUTIVE TRENDS

continued

received appropriate developing, training and coaching to meet the changing requirements of their roles." He cites a case in which a company's executives were informed of a decentralization plan but were not retrained to handle the new relationships which decentralization ushered in. Result: a detrimentally high stress level.

It's risky to assume, Dr. Slesinger says, that knowledge of proper job behavior can be acquired through trial and error. Rather, he suggests, "development of the skills necessary for successful accommodation to the changing demands of the organization are best secured through deliberately planned and carried out programs of executive training."

Are you using money effectively as an incentive for raising the productivity of your employes?

Three forces tend to forestall the most efficient use of compensation as an incentive.

For suggestions on how to overcome these forces, see page 64.

If you think businessmen take a shellacking in this country, take a look at the situation elsewhere.

The U. S. business executive enjoys a higher social standing than his counterpart in most other countries, according to Dr. J. Philip Wernette of the University of Michigan Graduate School of Business Administration. In many other lands, Dr. Wernette says, businessmen have little or no social standing "and may actually be looked upon as scoundrels and knaves."

While the image of the businessman is better here than in most countries, it can still stand some polishing, Dr. Wernette maintains. He urges "an organization of businessmen" to sponsor an "extensive, penetrating and detailed study to ascertain the existing image (in the U. S.) in complete detail."

Here's a two-word prescription which Swedish banker Tore Browaldh offers to American businessmen interested in doing business in the Common Market:

"Learn French."

Milco Tank and Boat Co., White Pigeon, Mich., manufactures Aqua Swan, the popular aluminum pleasure craft sold throughout America and Canada. During the years, Milco employees have had the advantages of a New York Life Employee Protection Plan augmented by Nyl-A-Plan and, currently, New York Life Group Insurance.



"New York Life Plans have helped us keep employee efficiency high!"

SAYS ORA E. MILLER of Milco Tank and Boat Co. "At each stage of our company's development, we've had the New York Life Plan best suited to our needs at the time. Our plans have changed but the result has always been the same: strong peace of mind for our employees which definitely fosters high efficiency."

Hundreds of firms with four* or more employees find New York Life's Employee Protection Plans help build morale, attract and keep high-caliber people. These plans offer a wide choice of valuable coverages including: life insurance, weekly indemnity*, medical care benefits, and major medical* coverage.

IMPORTANT EXTRA SERVICE! New York Life offers Nyl-A-Plan, an employee insurance consultation service. A Nylic representative will help increase your employees' appreciation of their group insurance and other benefits such as Social Security. He will emphasize the true value of your employee benefit program and in many ways help you to get greater value from your employee benefit dollars.

Talk to your New York Life Agent, or write to: New York Life Insurance Company, New York 10, N.Y.

NEW YORK LIFE

LEADER IN BUSINESS INSURANCE

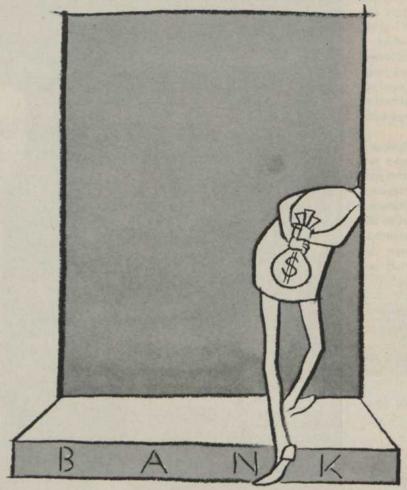
Individual policies or group contract issued, depending upon number of employees and applicable state law.

*Available in most states.



How to tell the difference between a Full Service Bank and all those other "banks"

(AND WHY IT WILL PAY YOU TO KNOW)



Ostorn

Viewed from the sidewalk, most financial institutions look pretty much alike. But once you look behind the doric columns and "Time and Temperature" signs, you'll find a difference. Doing something about this difference can save you cash money. It might even speed your financial growth. It will certainly enhance your credit reputation.

You see, different financial institutions do different things. Some take in savings and make real estate loans. Others make mostly personal and auto loans. But there is one kind of institution which, by law, does all of these things, and more. We're talking about a Full Service commercial bank.

A Full Service bank is a sort of "financial department store," capable of performing a wide variety of functions. It is not limited to savings and a few types of loans. It can accept both checking accounts and savings deposits, and can make home loans, personal loans, auto loans, travel loans, business loans, as well as loans for practically any other legitimate purpose you can name.

Why concentrate on a Full Service commercial bank?

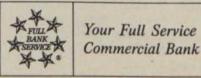
The kind of people who have made the most of their money take all of their money matters to one place. They rely heavily on the personal counsel that one Full Service bank can give them. In addition to any checking accounts in the family, they put all their longrange funds into a savings account. (This savings account may earn a little less than in some other places but it's worth a lot more, as you will see.) They make a point of getting to know at least one of the bank's officers and they have their Personal Financial Statement on file with him.

When they need money to buy a car or take a vacation, they borrow it from the bank, leaving their savings account intact and growing. Having this savings account assures them favorable treatment in getting a loan. Paying it back as promised enhances their credit reputation. (The low rate that Full Service banks offer on loans usually far overshadows the sometimes slightly

lower rate of interest paid on savings.) What's more important, they are building their reputation for the time when they might need a sizeable loan – for buying a home, sending the kids to college, taking advantage of a new business opportunity.

Get to know your banker before you need him!

If your money affairs are scattered all over town, take advantage of the one-stop benefits of a Full Service commercial bank. Let your checking and savings accounts be an introduction to the partnership benefits of a Full Service commercial bank. There is a difference between a Full Service bank and all those other "banks." It will profit you to put that difference to work for you. The sooner the better.



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TRENDS: WASHINGTON MOOD

Artificial attitudes give way when reality hits capital

BY MERRIMAN SMITH

HISTORIANS for years have regarded Washington with curious conflict, accepting the town as the seat of powerful government but still a place of some impermanence, shifting population and social patterns unlike those of most other American cities.

President Kennedy talked about the nation's capital the other day when he met with a large group of business editors and publishers, many of them from out of town.

"This is an artificial city," the President said, "a governmental city, and well removed by design from a good many of the influences and pressures of ordinary life which you deal with on every occasion."

Mr. Kennedy went on to speak of mutual advantages in having business publication executives come to Washington and talk first-hand with men and women who run the government.

"It is very advantageous to us to have you come . . . and tell us about some of your thoughts on us, and also, have a chance to talk to you," he added.

What the chief executive may have had in mind was a problem that seems to bother much of official Washington in any administration. It is simply a loss of perspective by those who make and administer our laws; defective vision which affects not only officials, but those on the fringes of government such as correspondents, commentators, lobbyists, diplomats and a curious social set of spectators who like to be near the action.

Stay in the capital city long enough and one tends to regard relatively minor matters as trends of thundering importance or milestones of living history.

The mood of Washington should be the mood of the nation, if the theory of representative government worked out neatly. Unfortunately for political scientists and the public at large, however, this frequently is not the case.

Washington's mood at times can be quite apart from the rest of the nation. Often this results from what former President Truman once labeled so

Merriman Smith is the White House reporter for United Press International.

colorfully as "Potomac Fever." Perhaps less vivid, a more precise identification of this socio-political syndrome might be "the Washington attitude."

Regardless of label, the various designations cover a situation in which many officials and related residents become so preoccupied with their jobs that they become destiny-prone. Some might call it being self-centered. Or city-centered.

The Washingtonian thus affected, and there are many, thinks and talks knowledgeably about national and international problems, but he tends to become irritated, bored and even displeased when asked to consider matters of regional or local application. This is particularly noticeable among international



Washington reaction to Cuban threat reaches across nation formerly dulled by recurring cries of crises

experts. Reclamation in Pakistan interests them; not in Idaho.

"The attitude" becomes a form of snobbery in some Washington circles where it is popular to dismiss from the so-called Big Picture such grubbers as congressmen bustling about the city on errands for their constituents. Inspection of Washington society pages and some of the more seriously analytic columns will show that the House member who tends to a great

TRENDS: WASHINGTON MOOD

deal of local knitting seldom stands high in the national community.

The opposite, of course, is true of the wide-track House and Senate members who by experience and long tenure have become identified largely with loftier matters of national and overseas importance. These are the lions of Capitol Hill and some of its subsidiary mounds where the mighty gather at eventide to ponder their roles in destiny.

When The Attitude reaches the stage of requiring a remedy, the sufferer can find none better than distance from the borders of the District of Columbia. Not to New York, Chicago or San Francisco for they have their own Attitudes, but to the not-so-large cities, middle-sized towns and small communities.

It may seem odd to prescribe in this manner right on the heels of highly active congressional and gubernatorial political campaigns which saw a number of leading Washingtonians scurrying from coast to coast. The remedy for excessive Attitude, however, is suggested primarily for officials not intimately involved in such mundane activities as elections.

Somehow the issues and crises of Washington seem less epochal and breath-catching when viewed from Oklahoma City or Cheyenne or Bangor or Atlanta than from Constitution Avenue. The view from the hills at times seems clearer than from the terrace of the State Department.

The Russians, for example, seem much taller in D.C. than they do in S.D. Is this because the people of South Dakota know less or are told less about the constant threat of the Soviet Union? Not entirely. The Washington view of the enemy may be due to a heavy diet of recurrent crises.

Outside of Washington, and given enough time, it is possible for the most breathless guardian of our welfare to achieve a degree of calming detachment and improved perspective. The traveler comes to realize that in many instances shadows more than objects casting them lead to much of the concern and tension gripping major world capitals.

The foregoing philosophic observations point to a harshly realistic problem which confronted not only Mr. Kennedy and his policy-makers, but leaders of the Republican party during the days leading up to the President's dramatic series of moves against the Soviet missile buildup in Cuba.

Their problem, particularly during the increasingly heated days of the congressional election campaign, was how to avoid over- or underestimating the Cuban situation.

Both political camps were caught in one of the more terrifying aspects of conducting a government, much less a political campaign, in 1962—and this was the steadily decreasing allowable margin of error.

The world, for example, has moved so fast and so far even since April, 1961, that the United States undoubtedly would not be allowed another error such as the Bay of Pigs invasion in Cuba without suffering much more serious consequences, or paying an exceedingly higher price.

Both political camps seemed convinced for awhile that the Soviet build-up was, as the President said on several occasions, essentially defensive in nature with only short-range missiles of no more than 25 miles in range known to have been installed.

•

The presence of even these missiles led to great outcry of "do something" about Fidel Castro and his increasing crowd of Russian helpers.

The Administration was suspicious of the situation in Cuba, but at the early stages of the off-year campaign, had little choice but to counsel moderation.

Even as the outcry reached sharp proportions, the President and some of his chief GOP adversaries tried to maintain their stout and vocal opposition without seriously inhibiting a possible need for close cooperation should the Cuban crisis peak even more.

What underlies a situation of this sort is complicated. With transport, missiles, weapons and communications becoming constantly faster and more powerful, nations react to external stimuli with increasing rapidity.

This makes it urgently necessary for their leaders to proceed with greater deliberation and sure-footedness.

And this, in turn, leads to an impression at times that men responsible for our destinies are dragging their feet. In such periods the Washington attitude can complicate an already tangled and difficult-to-understand situation.

Those overly influenced by that attitude often take the position that the feelings of the country are running far behind those of the capital and thus need stirring up. On occasion, somewhat synthetic stimuli are injected into the stream of public opinion.

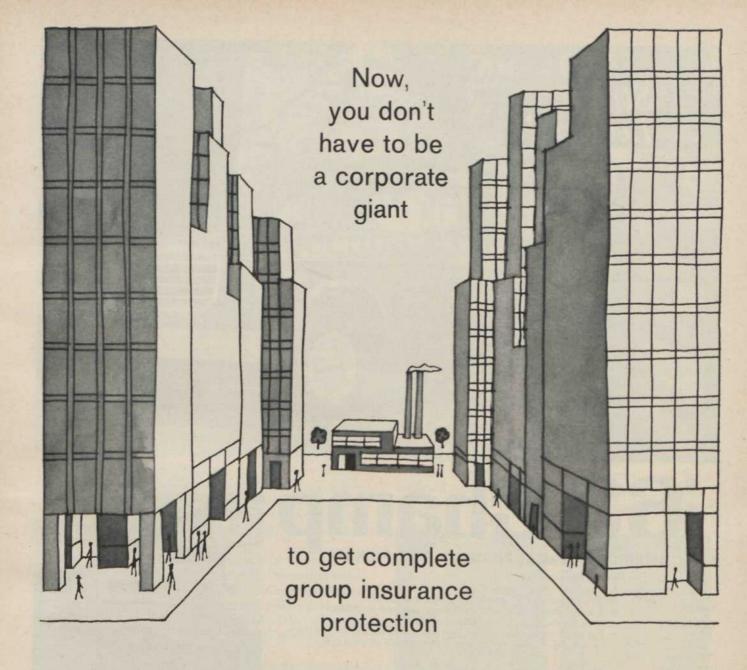
Then, as it did on the night of October 22, the genuine thing comes along. In this case, it was the President's dramatic word that after false assurances over many weeks, the Russians in truth had installed powerful missiles in Cuba capable of raining nuclear destruction on virtually every major city from Peru to Canada.

Suddenly the dreadful potential of missile warfare moved into the living room of every American equipped with a television set. And just as suddenly the posturing and stridence of the political campaign was muted under the slap of reality.

The American people have heard havoc cried so much in the nuclear age; so much terrifying expertise and theory has flowed from Washington, so much doom exported to the hinterlands, that those on the receiving end were beginning to tune out and filter down.

There was a danger of many Americans becoming insensitive to real danger; having heard so much political blank ammunition from a distance, the sound of reality at close-hand came as a shock to many, including some of those who had shouted loudest to "do something" about Castro.

Now that something was being done, what had been an interesting political campaign switched quickly to what Mr. Kennedy called "the abyss of destruction."



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Roomiest, most comfortable, best appointed cabs of any pickup assure driver satisfaction and lasting pride of ownership!

CHAMP BEATS 'EM ALL-ROUND AFTER ROUND! Whatever your load requirements, CHAMP BEATS 'EM ALL-ROUND AFTER ROUND! Whatever your load requirements, Studebaker's two sizes and two wheelbases permit you to select the power-matched truck to fit your individual work needs. You operate at full power capacity-full economy. New cantilevered pedals operate more smoothly—give better leverage and the Champ's new self-centering, self-energizing brakes are more efficient, safer and last longer. The beautifully appointed, dust and leak-proof cab has passenger-car styling-offers an exclusive Slide-Open rear window for improved ventilation.

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TWO SIZES: 1/2-Ton (2034 lbs. payload), 3/4-Ton (3695 lbs. payload).

CHOICE OF WHEELBASES: 112", 122" (5000 to 7000 lbs. GVW). Choice of Body Styles includes pick-up, stake and low cost quality camper.

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TRENDS: THE STATE OF THE NATION

United States of Europe becomes more probable

BY FELIX MORLEY

IT IS THE GREAT success of the Common Market that has, paradoxically, now brought its rapid progress to a halt. The economic gains have raised farreaching political issues. These must be squarely met before any additional significant steps towards European unification can be taken.

Fortunately, this situation will give our newly elected Congress time to study the developing trans-Atlantic trade picture carefully, before taking any further action in this area. Deliberation is the more important because of the fundamental changes that are taking place.

For instance, an on-the-scene survey of the European Economic Community, this fall, shows that these six cooperating countries (France, Germany, Italy, Belgium, Holland and Luxembourg) will soon become more than self-sufficient in food production. Changes of this magnitude will necessarily have profound consequences for the United States.

The evolution of the Common Market has been brought to a new stage by Prime Minister Macmillan's determined effort to bring Great Britain into the partnership. This has aroused much opposition in England, and much contention throughout the British Commonwealth.

The British uncertainty, in turn, has stimulated division in the nine-man Commission which serves, in Brussels, as the executive organ of the European Economic Community, to give the Common Market combination its formal title. Some members of this Commission favor further concessions to British interests, to help Mr. Macmillan bring that country in. Other members, notably the French, are disposed to argue that the Six have done very well so far without British cooperation, and are perhaps better off without it.

There is no question of the phenomenal economic success of the Common Market combination to date. Tariff elimination within the six-nation group was started on January 1, 1959, and is already well ahead of the original treaty schedule, about half completed.

In 1959 the volume of trade between the cooperating countries increased 24 per cent over 1958; in 1960 it was up 52 per cent over 1959; in 1961 nearly 70 per cent over 1960. The increase this year will be much less pronounced but nevertheless, according to the preliminary figures, fairly substantial.

Some of this gain would of course have been achieved without the Common Market mechanism. But the point emphasized in Brussels is that there





Prime Minister Macmillan wants Britain in Common Market: French President de Gaulle raises obstacles

has been no comparable increase in commerce among European countries outside the EEC, which explains why the British government has decided that it must

Indeed even the casual traveler can now see the advantages of the Customs Union. One drives today across the border of Belgium into Holland, and then from Holland into Germany, with almost as little formality as in passing from New York to Pennsylvania and Ohio. The only real difference is that currency must still be changed at the various borders. A common "Europa Mark" is not yet achieved.

In addition to eliminating internal tariffs the EEC.

TRENDS: STATE OF THE NATION

as American exporters now fully realize, is gradually establishing one single external tariff system. As compared with 1958 this aspect of unification is now about 30 per cent accomplished, some of the national adjustments having been up, but most of them down. On the eventual level of this external tariff there is room for bargaining. So no further alterations here are contemplated until the difficult issue of British membership in the undertaking is decided.

Thus far the steps towards tariff unification in the six EEC countries have on the whole tended to encourage imports, from the United States and other countries. The Common Market exports are also mounting and seem likely to go even higher as the larger internal demand encourages mass production. The decreasing unit cost of this greater productivity is helping somewhat to offset the sharp wage increases brought by the booming EEC economy. Unemployment is below two per cent, generally regarded as minimum, in all the six member-nations today.

The present pause in the heretofore rapid EEC development gives American business an opportunity to consider carefully what political form the Common Market is likely to take.

Heretofore that question has been overshadowed by the economic development. But economic success has made the actual formation of a United States of Europe far more probable. It is expected that this great step will be strongly urged, as between the Six, if Great Britain does not join. If Great Britain does join, political union, meaning a common currency, common parliament and common army, will certainly be delayed.

Primarily this difference is because the Common Market countries, whether victors or vanquished in the last war, have now lost most of their colonies, no longer have any colonial rivalries and see from recent experience that compensation for these losses can be gained from federation. The old American motto, "In Union is Strength," is much quoted in Europe today.

Great Britain, on the other hand, retains more than a shadow of her former empire in the loosely organized British Commonwealth and the problem of incorporating it into the Common Market is enormous. Indeed some of the EEC leadership at Brussels really does not want the Commonwealth in. As one hears it put: "Is New Zealand to become a part of Europe ahead of Scandinavia?"

The problem is complicated by the fact that the six present members of EEC are also members of NATO, whereas Austria, Sweden and Switzerland, all of which would like to join, are either traditionally neutral or (in the case of Austria) bound to that status by treaty. It would be relatively easy for the Common Market, in its present form, to unite politically. To form a union including either British Dominions or European neutrals would be far more

Still another complication is that of German re-

unification. During his September visit to the Bundesrepublik, President de Gaulle made it very clear that he wants a political union with free Germany as now constituted. Whether France would want union with a Germany containing the former German territory lost to communist control is far less certain. This would probably mean eventual German domination of France, rather than the other way round. But as there is no present prospect of German reunification this issue is currently viewed as rather academic.

The net result of these intricacies is that some European leaders favor pushing on to an immediate political union of the Six as now organized. Others favor postponing any attempt to unite politically, while expanding the area of Customs Union to include both the European neutrals and Great Britain, together with the Commonwealth, possibly Japan and even the United States should it care to join.

But the United States would not be welcome, even in such a loose and farflung economic grouping, unless it would agree to precise tariff schedules, without any escape clause or peril point procedure.

Throughout the Common Market area as a whole the per capita production (gross national product divided by population) has been rising rapidly during the past four years. The relative stagnation of southern Italy and Sicily pulls the average down, but even so it is now almost as high as that of Great Britain and rising faster. Unrestricted access to this increasingly prosperous area is now deemed essential by British exporters, and certainly is not inconsequential to our own.

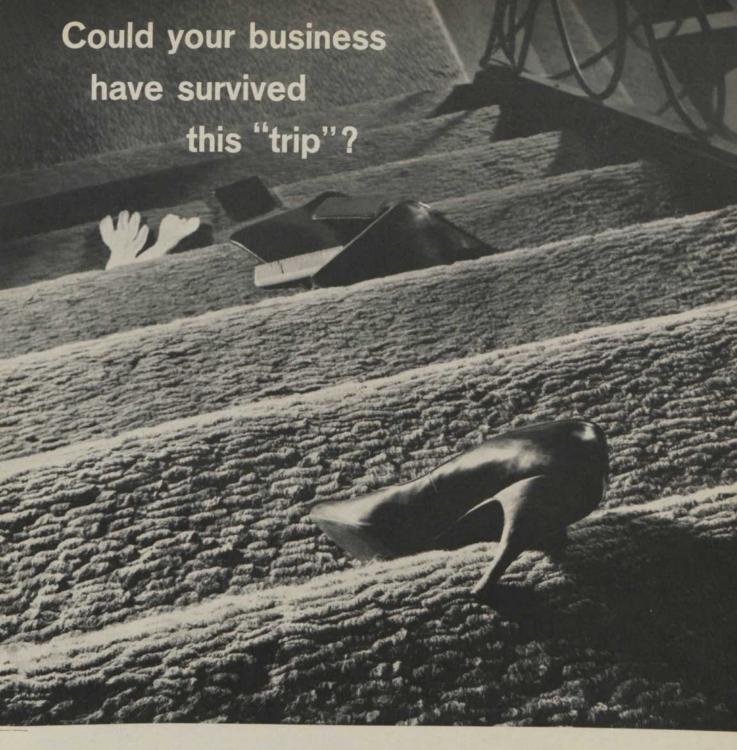
It could be, however, that the developing self-sufficiency of the EEC in food production, is of greater long-range import than its high industrial capacity and growing purchasing power. We are accustomed to thinking of Europe as an importer of foodstuffs. In several lines it is now in a position to export food.

Improved agricultural methods and increased mechanization have now made the six Common Market countries more than self-sufficient in dairy products, potatoes and vegetables; practically self-sufficient in all forms of meat; 90 per cent self-sufficient in beet sugar, wheat and rye; seriously deficient (about 25 per cent or so) only in feed grains.

This agricultural progress means that Great Britain, where only one out of every 20 workers is still employed on the land, could expect to have its food deficiencies met largely from the Common Market, should Britain join. It also means that Canada, Australia and New Zealand would, in this event, lose their big English market for foodstuffs. And it means further that if Britain joins, and still maintains her Dominion imports, the EEC may soon be looking for areas to which to export its own food surplus. The French agricultural potential is a big factor in de Gaulle's thinking now.

The prospect of a united Europe, not only rivaling the U. S. in industrial production but also eager to sell its surplus food, is one that emphasizes the magnitude of recovery that has come so swiftly to that continent since the days of the Marshall Plan.

difficult.



Buying insurance "piecemeal" is throwing dice with your business survival. Mr. A nearly found this out the hard way... The customer caught her heel in a stairway, sued the owner, Mr. A, for injuries and won... to the tune of \$48,500. Nothing unusual about this... except that Mr. A might have had to take the brunt of the loss himself. And that would have sent his prosperous shoe business to the dogs.

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VW Truck owners tell us.)

That's \$40 a month to the good.

0

Or \$480 a year. Or \$1,440 in three years. (Just on gas alone.) That's a lot of pennies.

MORE PAY COMING FOR IDLE WORKERS

It will cost you more for new benefits which will bring protection for jobless closer to union goal

PAYMENTS TO IDLE WORKERS are going up. You can expect them to keep rising as the many programs for helping the unemployed continue to expand.

A variety of new and expensive government and private programs has pushed jobless and related benefits closer to what once was only a far-off dream of organized labor—guaranteed pay the year round.

Even pay for a full year of unemployment seems to be losing some of its glitter as a goal, because today many workers get 52 weeks of jobless pay under both government and privately supplemented plans, and government planners are setting their sights on protection measured in years instead of weeks.

Twenty-six weeks of unemployment benefits is not long enough in this period of changing employment conditions, in the opinion of Wilbur J. Cohen, assistant secretary for legislation in the Department of Health, Education and Welfare.

"We should work toward much longer duration," he says in appraising the future of the 25-year-old federal-state program. He suggests benefits for "even three, or four, or five years in cases of workers displaced by automation and other technological change, who because of age cannot be retrained and find new jobs."

Mr. Cohen, recognized as one of the top social planners of the New Deal, Fair Deal and New Frontier, assumes that a large segment of our labor force will continue unstable, workers will be out of jobs longer, and pockets of chronic unemployment will persist in the years ahead. He also takes it

MORE PAY COMING FOR IDLE WORKERS

for granted that social security taxes will rise, perhaps one third, in this decade to pay for new and liberalized government programs.

What unions want

Full income maintenance whether idleness is due to unemployment or illness, with lifetime protection for workers who reach their fifty-fifth birthdays, is envisioned by the AFL-CIO's social security planner and expert, Nelson H. Cruikshank.

Looking ahead to 1985, Mr. Cruikshank sees unemployment compensation being combined with sick benefits into a federal program of income maintenance for the entire work force, with payments being made to those who are not working because of illness as well as to those who are unemployed.

"There will be both basic and emergency supplemental benefit levels," he predicts.

"The basic weekly benefit will be fixed by law at 65 to 75 per cent of the worker's wage loss.

"During a deep or prolonged recession, an Economic Commission will be empowered to supplement these levels up to the normal full-time weekly wage.

"Duration of benefits will be set by federal law and will be longer for older workers. For those over 55, there will be no limit to the duration as long as the person is available for work."

Millions of workers already are getting sick benefits as well as jobless pay under federal and state laws. Under the Railroad Unemployment Insurance Act, 122,000 railroad workers received an average of \$474 in sickness benefits last year, and 30,000 of them were also compensated for unemployment.

Under a disability program which began modestly in 1956 with monthly cash benefits for persons who had reached 50 and were totally and permanently disabled, the government is now paying under social security nearly \$1 billion a year to persons suffering long-term disability at any age and their dependents.

In four states—California, New Jersey, New York and Rhode Island—more than 10 million workers are covered by temporary disability insurance laws under which they receive weekly cash benefits for up to 26 weeks a year when they are unable to work because of sickness. The weekly payments range from \$35 in New Jersey to \$65 in California. Workers finance the programs through a wage tax.

Right now, major efforts are being directed at lengthening the duration of unemployment payments to cope with increased long-term unemployment.

The Administration next year will seriously push its bill to provide benefits, in a recession period, for an additional 13 weeks beyond the 26 weeks common to most state unemployment compensation programs. Even critics believe there is a good chance the bill will pass.

The Administration also would, for the first time, set a federal standard as to the minimum amount of weekly benefit—an amount equal to half the worker's average weekly wage, but not to exceed two thirds of the statewide average wage.

To finance this expansion, the Administration would increase your unemployment tax bill in two ways—by continuing the temporary four tenths of one per cent increase (from 3.1 to 3.5 per cent) which is due to expire at the end of 1963, and by boosting the taxable wage base from \$3,000 to \$4,800. The increase in the taxable base alone would boost the unemployment tax 60 per cent.

How taxes have increased

To give you an idea of how much and how fast your tax for unemployment benefits already has increased, the almost \$3 billion employers paid to the government last year was just about double the 1955 bill of \$1,486,000,000.

The drive for longer duration of unemployment benefits will be helped by government and private programs already (continued on page 74)

HOW LONG WORKERS MAY DRAW IDLE PAY

DURATION

PLAN AND ELIGIBLE WORKERS

78 weeks

TRADE EXPANSION ACT:

Persons unemployed because of new foreign trade policy, undergoing job retraining.

65 weeks

TRADE EXPANSION ACT:

Persons over 60 who are unemployed because of impact of new trade policy on their industry, and are not being retrained.

52 weeks

TRADE EXPANSION ACT:

Persons under 60 who are unemployed because of impact of new trade policy on their industry, and not taking retraining.

RAILROAD UNEMPLOYMENT INSURANCE:

Railroad workers with 15 years of service who are unemployed, ill or temporarily disabled.

MANPOWER DEVELOPMENT AND TRAINING ACT:

Unemployed persons being retrained under this three-year federal program.

SUPPLEMENTAL UNEMPLOYMENT BENEFITS:

Unemployed workers in major automobile, steel and other companies which supplement state unemployment compensation benefits.

39 weeks

UNEMPLOYMENT COMPENSATION:

Unemployed workers in Oklahoma may qualify for as many as 39 weeks. (Forty-five states and the District of Columbia pay jobless benefits for 26 weeks or longer.)

RAILROAD UNEMPLOYMENT INSURANCE:

Railroad workers with 10 to 15 years of service who are unemployed, ill or disabled.

26 weeks

TEMPORARY DISABILITY INSURANCE:

Workers in California, New Jersey, New York and Rhode Island who are unable to work because of illness or other temporary disability.

RAILROAD UNEMPLOYMENT INSURANCE:

Railroad workers with less than 10 years of service who are unemployed, ill or disabled.

16 weeks

AREA REDEVELOPMENT ACT:

Unemployed persons being retrained in areas of substantial and persistent unemployment undergoing redevelopment with federal assistance.

1 week

GUARANTEED WEEKLY PAY:

Workers in the automobile industry who are employed less than 40 hours in a week get partial pay for the hours less than 40; workers in the basic steel industry who work less than 32 hours in a week are guaranteed full pay for 32 hours.



NEW INFLUENCE ON MONEY AND CREDIT

The Democrat in line to head the House Banking and Currency Committee, Congressman Wright Patman of Texas, gives his economic views in this interview

THIS MONTH'S ELECTION could place an advocate of drastic change of the nation's money and credit policies at the head of a key House committee amid mounting pressure for banking legislation.

He is Democratic Rep. Wright Patman of Texas, who blames the country's major economic ills on the interest policies of the Federal Reserve system, which he charges is subservient to the self-interest of the banking community.

Unlike many in Washington and elsewhere, Representative Patman holds that the gold drain and inflation are "phony issues," and personally advocates lower interest rates as an economic stimulant rather than the tax-cutting ap-proach favored by President Kennedy and his professional advisers.

His re-election to an eighteenth term in his district, plus retention of Democratic control in the House, would mean chairmanship of the

House Banking and Currency Committee for Representative Patman, who has also served as chairman of the House Select Committee on Small Business and the Joint Economic Committee.

In this interview with NATION'S Business, he discusses his hopes for curbing bank influence on the banking system, his views on big versus small business, and his "over-my-dead-body" opposition to certain recommendations of the Advisory Committee on Banking to Comptroller of the Currency James J. Saxon.

Congressman Patman also analyzes how his status as a hard-fighting crusader for his beliefs would be influenced by his position as chairman.

The chairmanship, moreover, would make familiarity with Representative Patman's controversial views more useful to the businessman even though he may violently disagree.

Congressman Patman, do you expect the next Congress to be particularly active on money and credit legislation?

I would expect a very active session next year, because of the backlog of so many things that are important and should be considered and which have not been considered in the past. We should give consideration to the most important issues.

Are these technical issues or are they broader economic issues?

They are not technical. They are economic issues, basic issues. In the beginning, I want to state I am for a good, strong banking system. I am for bankers making good profits. I am for the profit system over the nation. The success of our defense, and our government, depends upon a level of profits and incomes that will bring in enough taxes to keep our budget balanced and pay our national debt. I am not advocating something that will be detrimental to the economy, the banks, or any segment of our economy.

How about such questions as unemployment and the dollar drain?

They are separate, miles apart. Unemployment is one of our most serious problems. It is caused by tight money and high interest. That is what is causing our unemployment and the bankers must take a large share of the responsibility for that. I think they are entitled to it.

They have urged the Federal Reserve to be too tight and to keep the interest rates up too high and, for this reason, unemployment has remained high.

What would you advocate to overcome this?

Number one, I would have the monetary system in the charge of and directed by people who are the public servants, who owe no allegiance to any group, and are free of the bias that comes about from being selected by a particular group.

I do not claim that our monetary authorities now are base, but I do claim that they are biased.

Our monetary system today is directed and controlled by a committee of twelve—the Federal Open Market Committee. That Committee meets every three weeks to determine the monetary policy, including the volume of money and the level of interest rates.

Who are these twelve members? Seven of them are public members, we will call them, because they are appointed by the President and confirmed by the Senate for fourteenyear terms. But the other five members, they are presidents of Federal Reserve Banks and each president of a Federal Reserve Bank was elected by the directors of that bank and six out of the nine directors were elected by the private banks. Each private commercial bank has a selfish interest in selecting a president of that bank who, of course, looks after the bank's interest.

What would you advocate to place the banking system under the control of public servants?

That is a good question. I would change the Open Market Committee to people who are under obligation to the government—to the whole public—and who are looking after the people's interest, without any inducement to do things to help the banks at the expense of the rest of the public.

The Constitution of the United States says that Congress shall have the power to coin money and regulate its value.

Well, Congress has delegated that power—some people call it "farming out"—to the Federal Reserve. The Federal Reserve has, of course, been really running the show and it has every inducement to favor the commercial banks. So the things it practices and its policies in the past, whether intended or not, have almost invariably favored the private commercial banking interests.

Would this have the primary purpose of lowering interest rates?

It should have. The bankers have been saying, "We have to raise interest rates because of the threat of inflation." When that was worn (continued on page 44)

44 do not claim that our monetary authorities are base, but I do claim that they are biased?

6In the past 'inflation' was a phony issue, and now 'flow-of-funds abroad' is a phony issue "

Liberals seek short cut through Congress

Conservative strength would be drastically reduced under bills proposed by supporters of Administration program

FRUSTRATED by their failure to get major parts of President Kennedy's program through Congress, Administration supporters are hunting ways to grease the legislative skids for the future.

You'll be hearing more and more about their efforts when the new

session opens in January.

If they are successful in devising ways to bypass the economic conservatives, it could mean that government spending and federal control over the economy would grow more rapidly.

The goal is to circumvent opposition to such proposals as the compulsory health tax scheme, federal intervention in education, and control over unemployment compensa-

tion by Washington.

The possibility of changing congressional machinery is receiving more and more attention. Liberals apparently hope to capitalize on this bipartisan interest in reorganization to win changes that would help the Administration.

One major approach is typified by bills introduced by Democratic Sen. Joseph S. Clark of Pennsylvania before Congress adjourned. These would drastically weaken the power of committee chairmen. Under them, committees would be required to report out all legislative requests submitted by the President before July 4. They would also authorize the members of each committee to choose their chairmen by secret ballot at the opening of each new Congress, and would require committee chairmen to retire at the age of 70.

The latter provision would oust

such senior chairmen in the Senate as Virginia's Harry F. Byrd of the Finance Committee and A. Willis Robertson of the Banking and Currency Committee, as well as Arizona's Carl Hayden of the Appropriations Committee.

The secret ballot proposal is designed to upset the seniority system, under which, for example, Arkansas' John L. McClellan heads the Government Operations Committee, Louisiana's Allen J. Ellen-

der the Agriculture Committee, and Alabama's Lister Hill the Labor and Public Welfare Committee.

The proposed legislation also would strip the Senate Finance Committee of its jurisdiction over many key issues, including social security and tariff legislation. In the session just concluded, the Committee rejected, among other bills, the proposal to finance compulsory health care for some of the aged through higher social security

TARGETS of liberals who would like to

Rep. Howard W. Smith of the House Rules Committee

WIDE WORLD



Sen. Harry F. Byrd of the Senate Finance Committee



taxes. Such drastic changes in congressional machinery have no broad support, and are unlikely to be passed immediately. Nevertheless, with interest in reorganization high, they are potential threats.

Congress will be confronted at the very start of its new session with the question of whether to retain the present 15-member size of the House Rules Committee or allow it to revert to the former 12 members.

Representative William M. Colmer, Mississippi Democrat who escaped being purged from the Rules Committee by the Administration in 1961, recently served notice on the House floor:

"I might say to you liberals that you are going to be called upon on the first of next year to do something about the Committee on Rules; that you are either going to extend it as it is presently set up, or you are going to permit it to revert to what it was prior to its stacking at the beginning of last

"If I were in that category of self-styled liberal, I think I would want to take a good look at that situation, because you certainly have not received a very liberal reception from the New Frontier

Rules Committee which you set up as a 15-man committee.'

Opinions differ on how big a fight the Administration will make to keep the three members (two Democrats and one Republican) which it was narrowly able to add to the Committee in January 1961. The outcome of this month's congressional elections will help determine the Administration position. Barring widespread Democratic gains, Chairman Howard W. Smith and other conservatives stand a good chance of being able to "unpack" the Committee.

The Rules Committee issue illustrates a situation which has provoked some of the more significant efforts to change congressional procedure. Committee chairmen exercise great power over bills within their committee's jurisdiction. Conservative Democratic-Republican coalitions have used this power to block action on bills which would boost federal spending.

Chairman Smith, a Virginia Democrat, says that he uses two criteria to judge a bill:

"In the first place, I don't think we ought to spend more money than we have. Second, some people like myself are old-fashioned enough to think that the federal

government has those functions which are given it by the Constitution and, therefore, we don't have jurisdiction to run all over the lot delving into matters that are more properly adjustable at the state or local level."

Bulwark against spenders

In an effort to avoid having this yardstick applied to the President's program, the Democratic leadership in the House two years ago succeeded in increasing pro-Administration representation on the Rules Committee. In spite of this, the Committee has proved a bulwark against a number of measures opposed by business and other conservative groups. They include: federal subsidies for teachers' salaries and elementary school construction, legislation to set up a Department of Urban Affairs, subsidies for mass transit systems, the Youth Conservation Corps bill, and an amendment to the Davis-Bacon Act which would require government contractors to pay local fringe benefits as well as wages.

Proposals to curb the power of committee chairmen take several forms, in addition to those offered by Senator Clark. One aimed at the

(continued on page 78)

trim the power of conservative committee chairmen include:

Sen: A. Willis Robertson of the Senate Banking Committee





Sen. Carl Hayden of the Senate Appropriations Committee



Sen. John L. McClellan of the Senate Government Operations Committee



TEST YOUR DECISION-

These questions will give you a new insight into your executive skill

EACH DECISION you make affects your future decisions.

If your decisions turn out well, you'll be able to use the same methods again. If you make mistakes, you'll know how to avoid them next time.

Research at the University of Akron has revealed some specific elements of decision-making which you can apply to your own experience.

Decision-making begins when you focus on a goal and decide on the amount of progress toward it that will satisfy you.

If your goal is to make a profitable investment, for example, you must decide how much you are willing to invest, the degree of risk you are willing to take, and the minimum return you desire. Only then are you in a position to decide on a specific investment.

Once you have a goal in mind, you begin to search for a way to reach it. Here is where creativity comes into play. You must pick a course of action based on your memory, experience, and environment. Then you must evaluate it. The importance of appropriate goals is apparent here. If you aim too high, you are likely to reject decisions that would, in fact, lead toward your goal. If you aim too low, you may accept alternatives that produce little return.

The following test, especially prepared for Nation's Business, will help you see how well you have mastered these elements of decisionmaking.

ANSWER EACH OF THE FOLLOWING QUESTIONS

- A close friend sells you packages for your product at 15 cents each. You are the major purchaser of his packaging. Your total unit cost without package is 60 cents and your selling price is \$1. Another firm offers you comparable packaging at only five cents per unit. Would you:
 - A. Continue to buy from your friend?
 - B. Take the cheaper packaging, thus increasing your profit by 40 per cent and cutting your friend out of business?
 - C. Buy some of your packaging from your friend and some from his competitor as a compromise?

- 2 You are dissatisfied with your present position with a large, stable firm. Would you:
 - A. Accept an offer with another well established company for a similar position at a 15 per cent raise in pay?
 - B. Accept a vice presidency with a growing firm at a 20 per cent cut in salary?
 - C. Wait until you receive an offer with pay and promotion that reflect your real worth?

MAKING ABILITY

AND THEN TURN TO PAGE 82 FOR COMMENTARY

- You are to choose a brand name for your company's new consumer product. It is a good product, well labeled, and attractively packaged. Would you:
 - A. Name it after the president and founder of the the firm?
 - B. Use a catchy name you had thought up years ago for a product that was withdrawn after a brief market test?
 - C. Hold a contest among employes and choose the best name they suggest?
 - D. Refer the whole matter to the research and development department?

- 4. A year ago, after intensive research and analysis, you invested heavily in a company that showed outstanding growth and potential. Since then its stock has steadily declined so that now it is worth half the price at which you bought it. Would you:
 - A. Sell out and get out of the market for good?
 - B. Sell out, accept your loss and reinvest in another good bet?
 - C. Have faith in your decision and buy more of the same stock, thus reducing your average investment per share?
 - D. Decide to stick to blue chips from now on?
 - E. Hold tight and see what happens?

- Some property you bought two years ago has appreciated in value beyond your wildest dreams and you have just sold it for 10 times what you paid for it. Would you:
 - A. Decide that real estate is the business for you?
 - B. Invest the profits in similar properties?
 - C. Put it down to good luck, and invest your money in a company you know well?
 - D. Try to figure out why it happened?

WHY WE MUST CUT TAXES

President's chief economic adviser tells why tax-rates hurt our economy, how reduction could spur more growth

BY WALTER W. HELLER, CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS

TAX REDUCTION and reform will soon become the major economic business of the day in Washington.

In his address to the Nation on August 13, President Kennedy promised to recommend to Congress a top-to-bottom cut in personal and corporate income taxes, to become effective in January 1963.

The President highlighted the economic case for tax reduction in these words:

"Our tax rates . . . are so high as to weaken the very essence of the progress of a free society, the incentive for additional return to additional effort. For these reasons, this Administration intends to cut taxes in order to build the fundamental strength of our economy, to remove a serious barrier to long-term economic growth, to increase incentives by routing out inequities and complexities, and to prevent the even greater budget deficit that a lagging economy would otherwise surely produce. . . ."

A start has already been made in reducing our tax burden, of course, particularly as it falls on the critical area of business investment in fixed capital. The Treasury Department this year liberalized depreciation allowances thus permitting businesses to write off more quickly the cost of machines and equipment. Congress passed a seven per cent tax credit for investment in modernized and new machinery. Both changes are designed to increase the flow of business funds into capital assets and thereby increase profits and cut costs to spur growth and improve our international competitive position.

The combined effect of these two measures—administrative and legislative—is an estimated annual reduction of nearly \$2.5 billion in business taxes. This is an amount equal to about 10 per cent of the federal corporate income taxes now levied.

But this is not enough. The pace of economic

expansion must be further accelerated. In my judgment, reduction of our tax overburden will be a prompt and effective spur to our lagging economy.

How cut would spur growth

The U. S. economy has consistently fallen short of its employment, production, income and profits goals in the past five years. A sizable cut in tax liabilities both of households and businesses throughout the nation would push the economy toward more robust activity in three main ways—ways which would bring business stronger markets, expanded investment opportunities and healthier profits:

1. Tax reduction would increase the disposable income—the take-home pay of consumers. Careful analysis of past experience indicates that consumers consistently spend from 92 to 94 per cent of their disposable income. History also shows that when this income is increased, a high proportion of the increase is promptly spent.

When consumers spend this income, markets strengthen, production rises, new jobs are created, and income and profits rise accordingly. This creates added cycles of private spending. Boosted spending and income results in what economists call the "multiplier effect." It produces an increase in gross national product of perhaps two or three times the original reduction in taxes. Gross national product, the total output of goods and services, is, of course, a major indicator of growth.

2. By strengthening sales and pushing output closer to capacity, tax reduction spurs investment in inventories and in new equipment and new plants. This impact on investment in productive capacity is called the "accelerator (continued on page 99)



A LOOK AHEAD by the staff of the

What 35-hour week would do

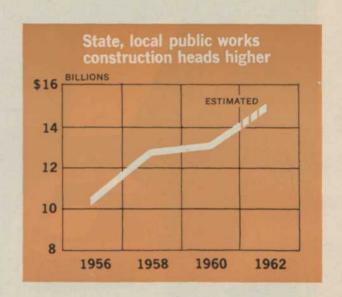
(Labor

Packaging controls proposed

(Marketing)

Lumber output higher

(Natural resources)



AGRICULTURE

The Agriculture Act of 1962 contains a number of provisions which will be of particular interest to businessmen.

For 1963, Congress extended the special feed grains and wheat programs which would have terminated with the 1962 crop.

The support price for corn and wheat turned over to Commodity Credit Corporation will be 18 cents lower than in 1962. But the producers who comply with the 20 to 50 per cent cut in acreage will receive 18 cents for each bushel raised, even if the grain is used on the farm.

In addition, farmers will receive a diversion payment (approximately \$1 for wheat and 60 cents for corn) for the grain that would have been produced on the land withdrawn from production.

CONSTRUCTION

State and local public works construction will reach new record volumes during 1962-1970.

Conservative estimates (based on population growth) had set this nonfederal public works volume at \$137.5 billion for the nine-year period—an average of about \$15.3 billion per year.

But this estimated average is being reached far ahead of schedule. In 1962, we are already well on our way to a record \$15.2 billion annual volume—7.4 per cent ahead of last year.

This rapid rise reflects the fact that several major factors, other than population growth, are generating demand for increased spending for highways, schools, hospitals and other public works.

One such factor is population mobility. This is creating heavy pressures for new facilities in many communities.

Second, general increases in living standards add up to greater demand for public facilities.

A third factor is the demand for better quality. More equipment and space per person in schools and hospitals, wider highways, greater purity of water are examples.

CREDIT & FINANCE

Now that the report of the Advisory Committee on Banking to the Comptroller of the Currency is an accomplished fact, we have the second of three major elements added to the finance scene for 1963.

The third and final element, due to completed the end of this month, is the report of the President's Special Committee on Financial Institutions. The first of the three elements was the report of the Commission on Money and Credit last year.

Some of the 84 recommendations made by the comptroller's advisory committee have already caused controversy.

One of the most controversial is that national banks be permitted to establish branches in a trade area, regardless of state laws. This would require legislation the House Banking and Currency Committee would handle. Heir apparent to the chairmanship of that Committee is Wright D. Patman, Democrat of Texas. An exclusive interview with Rep. Patman is on page 34.

FOREIGN TRADE

The Sino-Soviet bloc is intensifying its drive to penetrate world markets, and to use the channels of trade as avenues to political alliances. In international trade fairs and exhibitions, the bloc has found a readymade launching pad for its ambitions.

Through its International Trade Fair Program, the U.S. Department of Commerce is now arranging exhibits of American products throughout the world to help offset the forays of the communist countries into markets traditionally served by the countries of the free world.

More than 70 million visitors have viewed products of 3,000 United States manufacturers since the International Trade Fair Program began in 1954.

At the Pakistan Trade Fair being held this month in Karachi, 91 American firms from 24 states are cooperating in displays and demonstrations of U.S. products and technology.

GOVERNMENT SPENDING

The Administration would normally have issued by this time its

Chamber of Commerce of the United States

mid-year budget review. This document gives in some detail the congressional actions on the President's budget proposals and, if necessary, revised estimates as to revenues and expenditures and their effect on the national debt. This year, with Congress adjourning late, the budget review has not made its appearance.

Although the Administration held steadfast for many months to its assertions that the 1963 budget would be balanced, Treasury Secretary Douglas Dillon admitted to the annual meeting of the International Monetary Fund that there would be a "moderate deficit." Authoritative estimates indicate a deficit in the area of \$7 billion to \$8 billion, even without major tax cuts.

Some observers claim that the failure of the Administration to publish the customary budget review was conditioned by the nearby elections; the Administration would have to acknowledge a sizable deficit and this would provide political ammunition for the opposition.

LABOR

A major push for a national 35-hour workweek can be expected when the new Congress convenes in January. Top labor leaders have promised an all-out campaign to shorten the workweek without a cut in take-home pay as a cure for unemployment. The two-barreled union drive—in Congress and at the collective bargaining table—would require employers to pay double time for hours worked in excess of 35 a week.

Top government policy-makers do not agree that a shorter workweek without a corresponding increase in productivity will aid the general economy or relieve unemployment. The Administration opposes any sharp boost in labor costs which would hike the price spiral and further jeopardize the American competitive position in world trade. Statistics indicate a cut in the workweek without a cut in pay would produce a wage cost increase of 25 per cent- far in excess of the average annual productivity increase of 2.5 per cent.

Business leaders estimate a re-

duced workweek would increase business costs by over \$43 billion a year.

MARKETING

Introduction of a bill to establish federal control over packaging has forewarned business what to expect in the way of regulatory proposals in the Eighty-eighth Congress.

Main packaging requirements applicable to all nondurable, consumable items covered in the bill, would:

Call for prominent display of net weight, free of qualifying adjectives, on the front panel of packages; and, ban misleading illustrations and placement of "cents-off deals" and economy-size designations on packages.

The Food and Drug Administration and Federal Trade Commission would share enforcement responsibilities. While FDA would concentrate on foods, drugs and cosmetics, FTC would blanket all other consumer commodities.

Most alarming feature is FTC authority to issue "other regulations . . . on a product-by-product basis." Thus, FTC could dictate to manufacturers what weights and measures to use in packaging competing products; ban proposed package shapes and designs, and create other arbitrary standards.

NATURAL RESOURCES

U. S. lumber industry records show that 1962 national lumber production is 4.6 per cent higher than 1961. This is in spite of serious difficulties faced by the Pacific Northwest lumbermen. The softwood industry of that region is feeling the effect of stiff competition from Canadian lumber imports destined for eastern U. S. markets.

Pulp production capacity is expected to have increased 319,259 tons by year's end. An increase of another 452,495 tons is anticipated in 1963. The pulp, paper and paper-board industry will end 1962 ahead of 1961. Profits, although not good, are better than 1961, a year which the industry termed "profitless prosperity." Continued improvement is expected in 1963.

TAXATION

The Treasury Department is now engaged in assembling next year's tax package.

This task isn't easy; taxes are perhaps the most controversial of legislative issues. Witness this year's tax bill. Conceived a year and a half ago, a much-amended version has just become law—and no one is really pleased with it.

Next year's tax recommendations must be comprehensive and precise; extremely complicated proposals, if made, are sure to bog down in Congress.

The tax proposals must be politically practical. They will be subjected to fire from all sides. No man wants his ox gored, yet obviously, the Administration plans some base-broadening—to help make up any revenue loss accompanying rate reduction.

Finally, the tax revision must do the job for which it is intended that of expanding business and pumping life-giving investment funds into the nation's economy.

TRANSPORTATION

The Federal-Aid Highway Act of 1962 contains a section that will accelerate and expand over-all urban transportation planning activities throughout the nation.

This Act requires all urban areas of 50,000 population or more to develop a continuing urban transportation plan coordinating all modes of local transport. This plan must be completed and operational by July 1, 1965. If such communities do not come up with acceptable plans by that date, federal funds apportioned for urban highways will be held back by the federal government until a comprehensive plan is developed.

A good urban transportation program can contribute importantly to the aesthetic, economic and social well-being of a community. Especially significant are the benefits that can be derived from a balanced and coordinated urban transport system by the business community. Businessmen, therefore, will want to insure that a comprehensive plan is developed for their area.

MONEY AND CREDIT

continued from page 35

threadbare, and everyone could see there was nothing to it, they had to have another excuse. So they tied on to the "balance-of-payments problem," saying we have to have high interest rates to discourage funds from going abroad, forgetting, it seems, that they are the ones who lend the funds abroad.

These are not problems that have been held in check by high interest rates?

No. They are phony, fake issues. That is what they are, and I think for the sole and only purpose of keeping interest rates high. Incidentally, today we are paying more than \$9 billion a year in interest on our national debt.

When did inflation cease to be a problem?

When production caught up with the demand, and we began to have substantial unemployment and idle production capacity.

Is it your contention that with lower interest rates, since the mid or late fifties, we would not have had inflation?

No, certainly not a monetary inflation; and I don't think that at higher levels of production we would have had any more price increases than we have had.

Would price and wage controls be acceptable to you?

Never, except in wartime. You cannot enforce them except in wartime. Only when our country is in distress can we afford to apply controls and allocations.

What is your view about the balance of payments and the gold drain?

It is becoming less and less of a problem all of the time. The over-all balance of payments deficit is now running at an annual rate of about \$1.5 billion compared to \$2.5 billion last year, and nearly \$4.5 billion in 1959. The gold loss in the second quarter of this year was about \$200 million, down from a quarterly average of \$600 million in 1961.

During the war, we were selling other countries so much that we got much more of their gold than was healthy, healthy for a restoration of free world trade after the war.

Some of that gold should have been distributed like it has been. We have acquired other assets abroad in exchange for it and for the dollars that have gone abroad—factories, ore mines, oil wells—all kinds of income-producing assets. I am not sure too much is gone. I think it is a healthy thing that other countries have more of this gold than they had before, and the

gold drain is going to be curbed completely by the end of 1963 if present plans materialize.

Is our reliance on gold to back up our money realistic?

In this country, it is not realistic because it doesn't mean anything. At home we have learned that gold is valuable because it can be exchanged for dollars, not vice versa. But for settling accounts with other nations, it means something. It is used in exchange, to relate different currencies to a common base.

Do you think we will ever abandon gold?

I don't see anything in the future that will cause us to abandon gold, unless the trading nations work out a better money system. I predict that the United States will never, voluntarily, repudiate its commitment to redeem its dollars in gold, and it will never voluntarily devalue the dollar.

It would destroy us with so many countries of the world; they would never forgive us for it because their currency is based on dollar reserves.

Has the drain on our gold reserves been influenced by interest policy?

No, not at all, because, for instance, a lot of the deposits here are going to Switzerland where the interest rate is much lower.

You see, the evidence before the Joint Economic Committee failed to disclose interest rates had anything to do with the gold drain. Funds ebb and flow, that is true, but not because of differences in the interest rates.

You feel that lower interest rates would not aggravate the problem?

No, it would not affect the gold. We have just passed a law that takes care of that argument.

It permits banks to pay a higher rate of interest on accounts of foreign central banks if they believe it is necessary to keep the accounts in this country and not lose them.

Could not the increased availability of money under a low interest policy tend to inflate the wages of critically needed technical people?

Yes, it might to some extent, undoubtedly, if you had an adequate supply of money. I would say we now have an inadequate supply of money. In 1953 our money volume was 36 per cent of the gross national product; today it is only 26 per cent of the GNP.

Could increased availability of money

Watch for:

How to marry minds

When you need to set up a task force to handle an urgent business problem, you'll get better results if you choose the right personality mix. Here are three suggestions from a management expert.

U. S. ties more strings to city aid

Washington is stepping up its efforts to influence local affairs by tightening the eligibility standards in its federal aid programs. This article analyzes these new moves and projects their future impact.

... and many other timely, important and useful articles in coming issues of

Nation's Business



ELECTRICAL MODERNIZATION MORE THAN PAYS FOR ITSELF

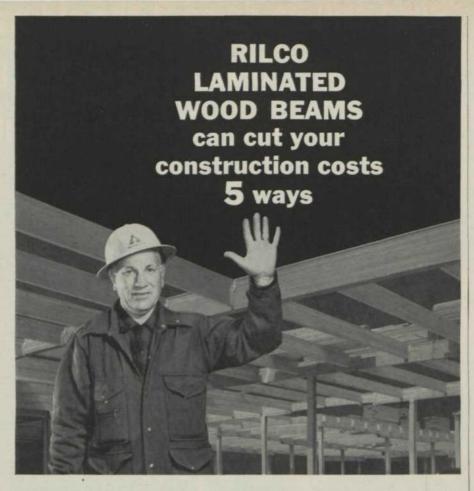
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MONEY AND CREDIT

continued

create jobs in comparatively inefficient plants, thereby leading to increased costs?

If you increased demand to the point that obsolete plants were put back into production, yes, that would tend to increase costs. But at the same time you would increase production in plants already in use, spreading the overhead in these plants, and that would tend to reduce over-all costs. What is troubling us now is idle capacity.

Is this idle capacity efficient?

Some of it is not efficient capacity and could be improved upon with new machinery. That is the reason President Kennedy advocated the seven per cent tax allowance on machinery.

Many economists say that as you get closer to full production, you create pressures for inflation. How would you counteract that?

In our kind of system you also create pressure for price increases at low production because many firms either raise prices or fail to pass some of their productivity increases on to consumers. They feel they need the money. And you also have spread-the-work movements, such as a 35-hour work week at the same weekly wage.

You have many weapons in your chest to deal with inflation when you get to overemployment. The most effective weapon is raising the amount of reserves banks are required to keep on hand. The Federal Reserve Board has not, in 20 years, raised the reserve requirements

Why? Because it would step on the toes of the bankers and reduce their profits a little.

Those people, who are looking over the volume of money and the interest rates, are not willing to fight inflation if it costs the banks anything.

Raising the reserve requirements of banks would require commercial banks to sell a lot of their securities, to get cash for their reserve requirements.

I think the Federal Reserve Open Market Committee should acquire those securities. They can do it by a flick of the pen. Then the interest that is paid on those government securities will flow over into the Treasury and save the taxpayers that much money.

What do you think about the report



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MONEY AND CREDIT

continued

of Comptroller of the Currency Saxon's Advisory Committee?

One thing he is advocating, which I think is terrible, is for federal authorities to permit branch banks in states where branch banks are prohibited by law. I want to say when he gets that one, whether I am chairman of the committee or just a member of the United States Congress, he will do it over my dead body.

It is an attack on our form of government to think of a thing like that. It is almost on the brink of a subversive proposal.

I am opposed to branch banks

under any conditions.

Another example of something I didn't like is that he wants the banks to be permitted to use undivided profits for the purpose of a reserve which I don't think is exactly right.

Undivided profits can be divided by the banks at any time they want. It is like a mortgage on fish in the sea or birds in the trees. You are not sure they are going to be there or have them when you need them; and it is in the direction of printing press money.

How would you characterize Mr. Saxon's approach to his job?

Well, I like to see an eager-beaver type of person. I am not against eager-beavers, but he seems to be seceding from the United States government—just like the Federal Reserve has seceded.

Would you say the keystone of your approach to monetary policy is easy money?

No, it is an adequate supply of money.

In other words, I am against tight money or hard money that is used to squeeze the people.

How about big business?

Big business is fine in its place. We have a place in America for big business.

Does it need to be curbed?

Yes. We must watch it because as people begin to get control and power, they take advantage of it. That is natural. Human beings are that way.

The Golden Rule must be applied, and if they don't want to apply it themselves, the government should step in.

Isn't big business justified in terms of efficiency?

The small firms, I think, are more efficient than the big ones; they have to be, to stay alive and compete against abuses of the power which big firms inherently have.

As of right now, what pieces of legislation under your committee's jurisdiction would you expect to be passed next session?

Things that will stimulate the economy and get us off of dead center should have first consideration. In some areas, housing is not too good and will, I think, receive a lot of consideration in the next Congress.

As to credit for housing, I think the interest rates have gotten terribly high. It is retarding housing. It is retarding the growth of our country.

The President seems to feel that a tax cut would stimulate the economy. Do you agree?

I will go along with him if he still believes that way Jan. 1.

Why didn't we get it this fall?

The time was not ripe for it; the President didn't recommend it because the Treasury isn't ready. They haven't yet finished their research to decide on the kind of tax cut we should have. You want a tax cut that will actually stimulate and expand the economy, because then the taxpayers get more out of it than the government loses.

If you had to choose, which would you favor—a tax cut or lowered interest rates as an economic stimulant?

Lower rates should be first. I think they would be more helpful; and, anyway, if you are going to adopt a theory as to what's wrong with the economy, you should adopt it consistently, for deciding both monetary policy and fiscal policy.

The theory for high interest is that business and consumers are not saving enough and are trying to invest too much. High interest encourages savings but discourages investment. But the theory for a tax cut, and federal deficit, is that savings are too high compared to spending for investment and consumption.

What proposals would you advocate to handle the national debt?

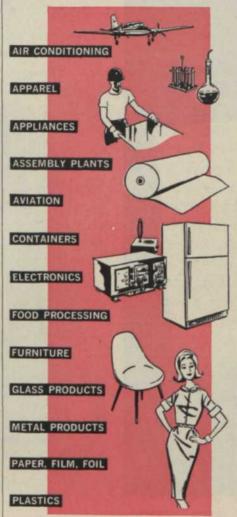
When times are good, we should pay on the national debt. When times are bad, you can't afford to. It would do more harm than good.

Our national debt is large. I look (continued on page 55)



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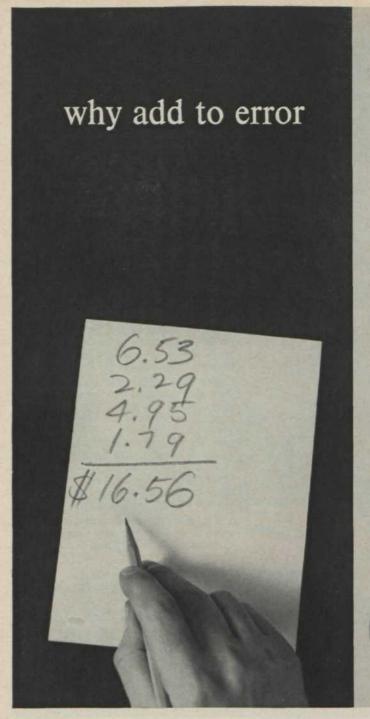


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PERSONAL OUTLOOK

Exchanging property may ease taxes

Looking for a way to increase your real estate portfolio or unload unwanted property without immediate and severe taxes?

You might consider advantages of swapping. Use of this technique is accelerating throughout the United States.

If you follow legal opportunities under federal tax laws, your income property can be exchanged "tax-free" for other property. Exceptions include: your personal residence, lease-holds under 30 years.

Whether your income property is vacant, commercial, farming, or residential is not significant in the tax considerations—nor is value.

Experts point out "tax-free" is popular term; correct is tax-deferred.

Dominant reason for swapping is postponing capital gains tax.

List of exchange specialists in your area is available from National Institute of Real Estate Brokers, 36 South Wabash Ave., Chicago.

Average broker commission throughout nation is about five per cent value of each trading party's property.

Executives buying overseas real estate

A rare event a decade ago is becoming an everyday incident—executives buying foreign properties.

They're mostly buying French chateaux, Swiss, Spanish, and Italian villas for vacations or looking ahead to retirement.

"Purchases of European residential properties by Americans have increased 300 per cent in the past five years," says John C. Tysen, board chairman of an international real estate firm

Large numbers of the new purchasers are top executives in their 60's; also professionals. Mr. Tysen says usual price range is \$12,000-\$20,000 for "taste with simplicity" property.

Executive favorites are Spain's Costa del Sol; Greek islands; Italy's coast between Rome and Naples; Morocco.

Mr. Tysen predicts keen interest in Ireland and Austria in a year or so.

Why the splurge?

Mainly due to jet travel. Also: more leisure; dropping barriers to free currency transfer; more sophisticated investors; confidence in Atlantic community; many price-is-right properties available.

Best way to check on overseas real estate: contact a reliable local broker; he'll work with an international clearing house.

Mr. Tysen advises: "Deal only with professionals. You can be taken over the jumps. The European is not impervious to dishonesty."

Offbeat London guide

Whether it's a castle in Spain, business trip or grand tour, you can find many first class but not "big name" attractions in world capitals.

For your consideration, Personal Outlook will occasionally list places and pleasures off the traditional tourist path.

Discriminating travelers and the American Society of Travel Agents vouch for these in the London area:

Hotels—White's (Lancaster Gate); Westbury (New Bond St.).

Restaurants-Ici Paris (Baker St.); Chan-

PERSONAL OUTLOOK

terelle (Old Brompton Rd.); White City Stadium. Shops—W. Bill (S. Molton St.); Jaeger (Regent St.); Scotch House (Knightsbridge).

Sightseeing—Bekonscot (Lilliputian-size village in Beaconsfield); Whipsnade Zoo; Jordans (Bucks County)—history associated with William Penn, also barn allegedly built with Mayflower's timbers.

Special tips—Reliable dining guidebook is Raymond Postgate's; exciting sports sight is Tottenham Hotspur soccer team; good coffee at Lyons Corner Houses; Jolly Farmer pub in Chalfont St. Peter offers 400 different sandwiches.

Homebound traveling

If overseas travel isn't included in your immediate plans, you can still keep up-to-date by talking with your foreign counterpart when he comes here.

Overseas travel to the U. S. is up 18 per cent over last year. Majority come combining business with pleasure. U. S. Travel Service reports most foreign businessmen want plant tours and social visits with American executives.

Best ways to locate foreign businessmen in your area are to contact:

Nearest of Commerce Department's 34 field offices.

National Council for Community Services to International Visitors, 1630 Crescent Pl. N.W., Washington, D.C.

COSERV—a nonprofit public service agency—has directory of 75 organizations that assist international visitors in 65 cities.

Political myth goes pffft

If election results spur you to running for political office or strongly supporting an as-

sociate's candidacy in a future campaign, here's advice from experts on government:

Contrary to traditional belief, holding local office is not a must for elective position in state or national government.

Studies in five states show county government seems to be the level from which most higher office holders are promoted.

"A person with only township experience," says Professor Samuel K. Gove, who examined Illinois politics, "seems to be fairly well limited to a career in the state legislature.

"But if he gets elected to countywide office, his possibilities for further advancement are greatly increased."

How to increase assets

Planning your estate raises unique problems, according to Peter Miller, tax counsel of W. R. Grace & Co.

Company benefits must be taken into account.

They often cause an executive's net worth to increase several hundred per cent.

Mr. Miller, a pioneer in coordinating these benefits into estate planning, points out substantial tax savings can be made by proper handling of deferred compensation payments, restricted stock options, group insurance, benefits under pension and profit-sharing plans.

For example, he recommends deferred compensation be payable to a trust, thus reducing taxes.

Essential element, he stresses, is: Each installment must be added to the principal rather than used as income.

Because the relationship of company benefits to estate planning varies among individuals, consultation with a tax counsel is advised.



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real wood character as a muted accompaniment to the bold new decorating approach it inspired. Its price—just \$63 for a 12′ x 8′ wall—is modest when you think of the maintenance it saves.

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fast the typing. That's why it is such a favorite in offices converting from manual to electric typewriting. Its ideal application is in high-output stations concentrating on volume production. For, besides speed, the IBM Selectric Typewriter minimizes maintenance with a promise of great reliability and durability. Want to change type face? Don't change machines. With an IBM Selectric Typewriter it's easy to switch from one type style to another. And changing the single-unit ribbon cartridge is just as easy. Ask your IBM representative to demonstrate what this newest addition to the IBM typewriter line can do for you.

MONEY AND CREDIT

continued from page 49

on the national debt as a deterrent to progress in that it is like paying for a dead horse.

It used to be that when a farmer bought a horse on credit, to make a crop, and the horse died right away, he was considered to be carrying the worst kind of burden, paying for something that wasn't doing any work for him. Our debt isn't doing any work for the nation either, because most of it was incurred to pay for the war.

It should be paid off, but you can't do that quickly and suddenly. It has been going down relative to our ability to pay, however.

Would you favor a reduction in government spending to retard this increase in the debt?

If we could do it without depriving the people of necessary and needed services. I wouldn't be in favor of cutting down on national defense, on aid to the aged or to veterans of the World Wars and their dependents, cutting hospitalization and related benefits.

Where could you cut?

The interest costs would be cut by \$5 billion if we restored a fair interest rate.

Farm surplus is costing us too much in administration. The interest rates on carrying the loans to farmers have increased tremendously, along with other interest rates, and the cost of storage has increased tremendously.

As chairman, would you be in a position to be as strong an advocate of your beliefs as you have been in the past?

That raises a serious question. You know, when I became chairman of the Joint Economic Committee, it stopped me from crusading for some things, as I had in the past. Because as chairman, I had a responsibility which I didn't have as an individual member.

A responsibility to the Administration?

Well, to the Administration and also to the members of the Committee—Democrats and Republicans. I had to make sure they were all treated fairly and given equal opportunities and in doing that and in taking care of the membership, I was deterred from actually crusading for the things that I had crusaded for before I became chairman and, to that extent, I would be slightly hobbled.



Gail Adé of Balmoral Kennels.

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HOW TAX CHANGES SPLIT POLICY-MAKERS

Here's a close look at a little-understood provision

ONE NIGHT in early September, the drilling crew of an oil rig worked tensely in the choppy waters off Louisiana's Gulf coast. They had ground through the sandy depths of the continental shelf to their target mark of 12,000 feet. Now it was time to test.

This was a second and deeper hole in Block 6 of one of 41 tracts for which Humble Oil & Refining Company spent \$63.2 million last March. The company had already plugged a shallower hole in Block 6 and abandoned six others elsewhere as hopeless.

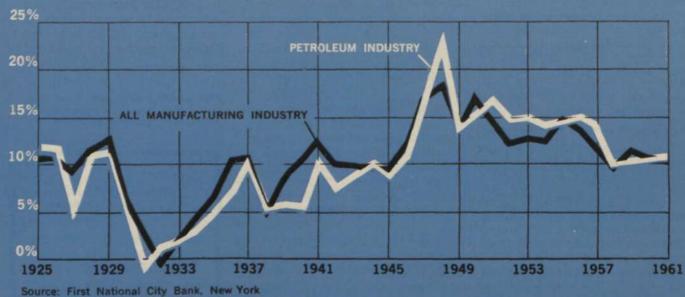
Humble was one of 20 oil companies that paid more than \$445 million for 402 tracts of underwater real estate off the Louisiana coast. Of the wells then completed, 38 were dry. Nine could be called discoveries. Other companies in the venture are having troubles, too. But operators are hoping big strikes are still to come in these supposedly mineral-rich tidelands.

Meanwhile, a thousand miles away on the floor of the United States Senate, Senator Paul H. Douglas of Illinois was in the midst of a vigorous attack on the very tax incentives that encourage the expensive search for oil. Senator Douglas rattled off case after case of oil companies that, he said, made profits of \$5.3 million and paid no federal tax; made \$7 million and got \$23,000 in tax refunds; made \$9 million and got \$5,000 refunded. "This situation is a scandal and a disgrace," he claimed. "One of the greatest scandals in our tax system."

His was another denunciation in a long crusade

PROFITS: HOW THEY COMPARE

Net income after taxes, as a per cent of net assets, for petroleum industry as compared with all manufacturing industries



against tax provisions covering the petroleum industry. A dozen years ago, President Truman called the provisions the most inequitable loophole in the tax laws.

Whenever and wherever the complexities of our tax system are discussed, oil and gas tax treatment is attacked. Part of the reason is the aura of glamour and wealth caricatured by the movieversion, free-spending oil millionaire. But the reasons go much deeper.

The sporadic complaints and clashes in Congress over what some call loopholes of all kinds will undoubtedly reach a climax next year when President Kennedy's long-awaited major tax reform program is sent to Capitol Hill.

What Administration seeks

The Kennedy Administration has promised to propose tax cuts and loophole closing. Almost everyone agrees that tax rates are so high they slow economic growth, discourage investment and restrict purchasing power. But no one can agree on which loopholes should be shut, since a loophole is merely somebody else's tax break.

What is branded as a loophole is a provision of the Internal Revenue Code that Congress deliberately wrote into the law to give relief or incentive to certain taxpayers.

The reluctance of Congress this past summer to embrace the idea of a tax reduction was based at least partly on the fact that many members of Congress didn't want tax cuts that would put the country deeper in the red.

So any revenue-reducing program will most likely incorporate revenue-producing tax changes too. But more revenue won't be the sole aim of coming tax legislation. The ideal in closing loopholes—repealing different treatment for some taxpayers—is tax neutrality and equity.

The fact is, perfect tax equity is impractical and unpolitical. There is neither neutrality nor equity in present federal tax provisions that favor the married over the single taxpayer, the low-pay worker over the high-earner, the aged over the young, the homeowner over the renter, the handicapped over the healthy, the church over the distillery.

There is deliberate inequity in the tax laws because Congress has wanted to lighten the burden on some taxpayers or spur other taxpayers to action. Not all preferential tax treatment is necessarily in the best interest of the public. Sometimes special treatment is enacted or continued because certain groups have won strong enough political support to get what they want, or perhaps need.

Not long ago, for instance, Vice President Lyndon Johnson talked for 25 minutes with President Kennedy at a Washington dinner in support of a technical tax measure to give a particular industry more favorable (or fairer) treatment under the tax laws.

Oil industry a focal point

In the controversy over reform, probably the most emotional debate involves the tax treatment of the petroleum industry. From the debate so far, one would think the oil industry is either the whipping Here's how tax provisions apply in a particular year to an investor in an oil venture. Assume he invests \$10,000 and is fortunate enough to strike oil

FIRST YEAR EXPENDITURE	RES: \$5,500
Intangible drilling and completion costs (such as labor and supplies)	2,500
Depreciable tangible costs (such as oil well casing)	1,500
Operating costs	500

\$10,000

FIRST YEAR GROSS INCOME FROM OIL SALES:

5,000

DEDUCTIONS FOR THE YEAR:

Operating costs 50

Tangible costs (share of depreciating \$1,500 over 10 years)

150

Intangible drilling and completion costs

2,500

Net taxable income before deducting depletion (\$5,000 less \$3,150)

1.850

3.150

DEPLETION ALLOWANCE:

(This permits a deduction of 27.5 percent of gross income from oil sales, which would be \$1,375. But it is limited to 50 percent of net income, which is \$925. This can be deducted each year and is a means for recovering the cost of the oil lease and providing funds for future exploration.)

925

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TAX CHANGES

continued

boy of the left-wingers or a privileged special interest.

A close inspection of the charges and countercharges provides a valuable inside look at the coming battle over 1963 tax action. The oil controversy holds all the elements that will be common to any major tax revision campaign. The weight of testimony on each side of the issue shows how gigantic will be the task of reform.

At the core of the oil issue is a little understood term: percentage depletion allowance. It's necessary first to understand what depletion is to know what the fight is all about.

Federal tax law allows a deduction for the exhaustion or depletion of oil and mineral resources. This has been permitted since the income tax was enacted in 1913. It is an established principle of law and economics that the gradual exhaustion of a mineral deposit should be compensated for by a deduction in figuring net income for tax purposes.

Depletion allowances are something like depreciation deductions which practically all businesses claim. They're permitted so a business can recover the cost of such assets as equipment or plant over their useful lives.

However, with percentage depletion, producers can recover more than just the cost of the mineral properties. This deduction lasts as long as the resource can be mined or pumped. It can exceed the cost of the property many times.

In the thinking of the petroleum and mining industries, the percentage depletion allowance should provide more return than merely the investment in a well or mine. It should recognize as tax-free the income from a mineral which must be reinvested to find new reserves to replace reserves being depleted. For the average well, over the years, deductions exceed expenditures by only about 25 per cent.

These depletion deductions are based on a percentage of gross income. For oil and gas, 27.5 per cent of gross income from a producing property can be claimed as a deduction on an owner or operator's tax return. But the tax deduction is limited to 50 per cent of net income from a particular property.

Formulas for computing the depletion deduction varied over the early years. But since 1926 percentage depletion has been in the law. In the past generation, about 100 other minerals and resources have been granted this deduction of a percentage of gross income. The percentage varies down to five percent for such relatively plentiful minerals as sand, gravel and mollusk shells. In any case, the 50 percent of net income limit applies if the amount of deduction figured that way is lower than the percentage of gross income figure.

There is no agreement on the tax revenue effect of a change in percentage depletion. Estimates range up to \$1.5 billion a year as to the amount the Treasury would gain if the deduction were ended. But some believe that repeal of percentage depletion might so discourage investment in mineral exploration that revenue receipts would decrease rather than increase.

About three fourths of the total deductions go to the oil and gas producers. These industries drill in more than 30 states, but of course the economic influence on other industries in other states is great. About 75 per cent of the energy consumed in the country comes from petroleum.

Though the controversy over taxation of the extractive industries generally whirls around the percentage depletion provision, even more sophisticated debate concerns still another provision in the tax laws that gives special treatment to oil and gas and ores. This provision permits deduction of certain exploration and development costs in addition to depletion. Critics say this gives a double deduction for many of the same expenditures. They insist these costs should be capitalized-treated like capital assets and depreciated over their useful lives as a machine tool or a forge is. The defenders of this added deduction say you can't capitalize a hole in the ground and that these expenses are like operating expenses that any other business incurs and deducts on its tax return.

Major arguments

But the fight in Congress has generally focused on percentage depletion. Here are the major arguments, pro and con, in this wrangle. They were set forth recently in a special analysis by the Legislative Reference Service of the Library of Congress.

Most industries pay much higher income taxes than the oil, gas and mining industries, the critics of per-

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TAX CHANGES

continued

centage depletion charge. In comparing tax burdens, the whole tax structure—not just income taxes—has to be considered, these industries answer. There is a big excise tax on gas and oil. But this tax is shifted to consumers, critics argue. So are most corporate taxes, goes the answer.

Whatever the comparative taxes, profits after taxes are not out of line with profits after taxes of other industries because the petroleum industry is so competitive and such high investment is required in this business. But the critics of percentage depletion hold that an income tax system can't be designed to provide different rates for each industry depending on risk and competition.

Revenues lost by tax advantages of the petroleum and mining people must be paid by other taxpayers,

they say.

Risks in the search for oil and minerals are great. A prospector can't predict what, if anything, he will get from his investment. Only one in nine wildcats strikes oil, and only one in 45 is actually profitable. The odds are the same for a large corporation as for a small ex-

This wildcatter is held up as a symbol of the adventurer, the critics complain; but actually two-thirds of all depletion deductions are taken by corporations with assets of over \$250 million. Also, few risks are taken by the owner of land who leases it or the wealthy investor who buys oil royalties in proven fields.

Industry defenders argue that a depletion deduction is vital because when oil or an ore is taken from the ground and sold, their capital is being used up. Part of the price they receive is a return on capital. So it's not all income and shouldn't be taxed as income.

Opponents say the method of determining the amount of capital is what's questionable. Deductions can be taken which have no relation to investment. These depletion deductions can be many times the amount of investment.

Defenders reply that cost of investment is one concept, but that another and more important concept is value. The value of oil in the ground is about a third of the price it will bring at the wellhead. So the percentage depletion deduction of 27.5 per cent is not even

quite high enough for this relationship.

Opponents argue that sale of ore or oil is more like a sale of stockin-trade than sale of a capital asset.

Defenders insist that unless this depletion deduction is maintained, independent producers will likely sell their discoveries rather than work them because present law clearly lets them take capital gain treatment on sale of an entire well or mine. This temptation to leave the risky exploration business would encourage mergers and the sell-out of independents.

Critics say that instead of either depletion or capital gains being preserved, both should be abandoned or modified.

National security issue

Oil industry people maintain that our economic growth and progress is explained by machines powered by energy produced through these tax incentives. The price system alone can't spur enough production to provide a reserve capacity needed for national security if war comes.

Critics point out that percentage depletion is not necessarily the key to our energy supplies, and that most minerals entitled to depletion deductions don't supply energy.

Price is another factor in the debate. If percentage depletion is repealed or lowered, less oil may be produced and prices may rise. They are not any higher today than when the depletion provision was enacted in 1926.

Part of any price rise could be offset by reduced prices in other industries if other taxes were reduced, critics of depletion claim.

As for other economic effects, opponents say percentage depletion has made it more profitable to invest in minerals than in other things. This has resulted in excessive oil reserves.

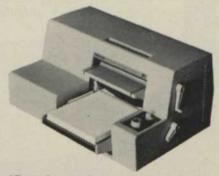
The oil industry answers that it's getting more expensive to find oil all the time. It now costs an average of \$62,000 to drill a productive oil well. A gas well costs \$102,000. Off-shore wells cost, typically, \$386,000. A higher percentage of wells today are dry holes than a generation ago. Despite technological developments which help to get more minerals from the ground, total reserves of oil today are only 10 times consumption. And current additions to domestic oil and gas reserves are not keeping pace with the rise in demand. What is a proper amount of reserves, say the critics, depends on the availability of for-

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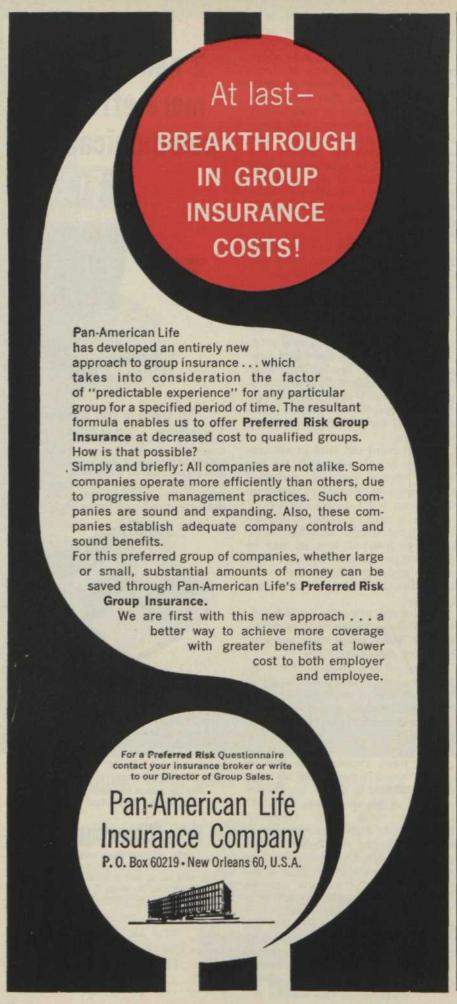


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TAX CHANGES

continued

eign oil and new domestic sources of energy.

Supporters of depletion note that Soviet crude oil production has increased at a rapid rate in the past decade and so have Red oil exports. To further expand exports and possibly disrupt western markets, the communists have increased their tanker fleet and laid new pipelines through Soviet bloc countries with the aim of undercutting western oil producers.

According to the critics, the need for large reserves of oil and minerals is lessened by the possibility of nuclear war.

To repeal or lower the long-standing depletion allowances could seriously harm investors, producers, explorers, employes and consumers, since this deduction has become an integral part of this sector of the economy, defenders insist.

Taxes must encourage raw material and energy production and capital investment in machines for greater productivity. These are the keys to progress in an industrial society. No taxpayer, the critics reply, has a vested right in any type of tax. Also, in this rapidly changing economy, some levies are not necessarily serving the purposes for which they were intended.

Tax provisions for the oil and ore industries will undoubtedly be on the list of the upcoming recommendations for congressional study or action. Over the life of the depletion allowance, it has been questioned and tested time and again. In the most recent Senate vote on the amendment by Senator Douglas in September to reduce the percentage rate for oil and gas, the roll call was 23 for reduction to 50 against.

The big problem with determining the justice of tax advantages for the extractive industries as with socalled loopholes for many other taxpayers is this: Congress has no really accurate vardsticks to measure what amount of relief or what incentives are needed to get the right social result or economic investment. It boils down pretty much to the persuasiveness of the taxpayer and what the lawmakers believe is right for their constituents and the country. As much as taxpayers and tax reformers would like a simple and equitable tax system, our complicated economy will probably always make such reform an elusive goal.



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Put pride to work for you

Here are ways you can spark new job interest in today's wooden men

It is a strange situation here in America, where average wages are the highest in the world, that vast numbers of people display a cynical attitude toward their daily work.

In our expanding service industries surliness and irresponsibility among workers who deal with the public have become almost legendary. The indifferent quality of workmanship in American factories has sometimes caused the production of technical equipment to be transferred to Europe.

Featherbedding by organized labor, a flagrant waste of human energy, has become so common that it seems to be taken for granted.

Among people employed in offices, anyone can discern two basic types: an intensely involved minority and an extremely bored majority. The hard-working minority is usually limited to a few special categories: senior executives with a substantial stake in the enterprise, junior executives hoping for promotion, salesmen on commission, new employes who are not yet disillusioned, and a few other people, sometimes called wheelhorses, who do a good job without any visible incentive.

The wheelhorses seem to be regarded by the bored majority with a sort of pity, as neurotics who bury themselves in work to escape from personal frustrations.

Clearly, many Americans are far from enthusiastic about their jobs. Is this situation the best we can hope for? Some business executives argue that it is, because the average man is naturally lazy. If that is true, why do psychiatrists describe the present loss of interest and initiative as a serious mental health problem? If the average man is naturally lazy, why does he suddenly come to life when he plays golf, works on his own house or car or yard, or goes into business for himself? And if the average man is really lazy, how can we explain the many times when large groups of men have performed brilliantly?

In the days of sailing ships, seamen had to work under hard conditions, and had to spend long periods of time at sea. Their material rewards were small, and their leaders included men such as those portrayed by Captain Ahab and Captain Bligh, who were not famous for their tact. Yet the sailing ship era has been called the time of "wooden ships and iron men."

In times of danger, there have always been enough average men who were willing to do what was necessary at the battle fronts. In most of our wars, the chief complaints about lack of dedication concerned people on the home front; in other words, people working for private industry. This evidence indicates that the attitudes of Americans toward their jobs might be greatly improved—that this may be an era of "iron ships and wooden men." A fundamental question remains: Who can assume the responsibility for bringing about the improvement?

Supposedly, one principle of free enterprise is to set up a system of fair ground rules, so that individuals acting on their own initiative can work for their own profit and at the same time contribute to the general welfare. The advantages of such a system include personal freedom, release of individual energies, and great economic efficiency. The ground rules are set up and adjusted by our elected government.

In many ways, our government has done well in this respect. When our frontiers disappeared, and when the growth of great business monoplies threatened to strangle our economy, the government responded gradually with antitrust laws, inheritance taxes, graduated income taxes, social welfare programs, and a sympathetic attitude toward labor unions. These adjustments made the alternative path of communism irrelevant. If all other countries had made the same adjustments, communism could not even be an issue.

On the other hand, we rightly criticize our federal government when it forgets this principle and

presumes to manipulate people directly. We have reason to suspect that the government proposes direct measures after it has failed to maintain the kind of environment which enables people to take care of themselves.

Government mismanagement provides the excuse for increasing government management.

If, for example, government sets artificially high prices for farm products, then farmers must be controlled.

If domestic prices are forced up by government deficits, or by unrestrained pressure from monopolistic business groups or industrywide labor unions, rising prices erode the purchasing power and savings of everyone who is not a monopolist or a union member—particularly old people. Then government logically can propose more extensive programs of direct financial aid to senior citizens, both to help them and to stimulate consumer purchases.

At the same time, government may try to control prices by interfering directly in the market. This interference, of course, darkens the outlook for future profits in business. Productive investment is discouraged and economic growth is slowed down still more. At this point government planners can point to the failure of private en-

Three actions will give workers more enthusiasm in jobs

Clarify who is
responsible for
each piece of work
so each employe will
know exactly what's
expected of him

terprise to provide adequate economic growth, and can propose to restore economic growth by undertaking new government projects, to be financed by more government deficits.

The cycle is then complete, and the process can continue, with government gradually replacing free enterprise. Always, the problems arising from government's intervention in the past furnish a pretext for extending government's powers in the future.

In some respects, the communist countries may be more fortunate than we are. They originally broke the chains of monopoly and overconcentrated wealth by a series of revolutions, and started out their regimes with 100 per cent governmental control. In effect, they started at the farthest extreme of the present trend in our economy or, putting it another way, they have already been where we seem to be going.

Since then, necessity has forced them more and more to curtail bureaucratic planning and to use the techniques of free enterprise. Presumably, we will decide to reverse our drift toward state control sometime after the communist countries pass us moving in the opposite direction.

The increasing direct manipulation of our economy by government

Cultivate respect for work well done so employes gain a feeling that they are contributing to the company's goals



Offer substantial pay incentives for good work in every job rather than tying raises to promotion or seniority alone



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PUT PRIDE TO WORK

continued

certainly kills initiative, subsidizes vast mistakes, and grossly distorts the economy. However, private enterprise, even if crippled, is still intact. Government cannot be blamed entirely for the attitudes of people employed in private business. Likewise, labor unions represent only a fraction of our working force. Therefore, considerable responsibility for improving the attitudes of workers must be assumed by business itself.

Our measures of success

We should first recognize frankly that in modern society business corporations must operate under certain special conditions:

1. We measure success largely by money. The old contests among bands of warriors, or armies, or nations, are being replaced in the age of the nuclear bomb by atomized economic competition among individuals. This is happening even in communist countries, which is the most reassuring development so far in the cold war.

Likewise, a man's reputation in our society may rest, not on his deeds, but on the money he has made. Money is not merely a means of allocating our material wealth. It is a prime symbol of achievement.

2. A business, by its nature, is essentially selfish. Stockholders are interested in profits. Executives are interested in their salaries. Customers are interested in getting the best product or service at the lowest price. The corporation represents a competitive bargain among all concerned.

Although the end purpose of private enterprise taken as a whole is good, the worker knows that the individual corporation does not represent some abstract common purpose. Extra effort which the worker contributes without being rewarded is money in the pockets of the other parties to the enterprise.

3. Executives as individuals are sometimes contemptuous of people who make less money than they do, even though they try to hide it. People of various income levels tend to move into special areas isolated from people of other income levels. Workers can sense these attitudes and may not feel inclined to sacrifice themselves for an executive.

 Our workers are free, and sometimes obligated, to find new jobs outside a given business. Some companies profess to frown on employes, other than executives, who are disloyal enough to consider changing companies. However, our society, with its emphasis on money, frowns even more on the worker who fails to take all possible steps to raise his income.

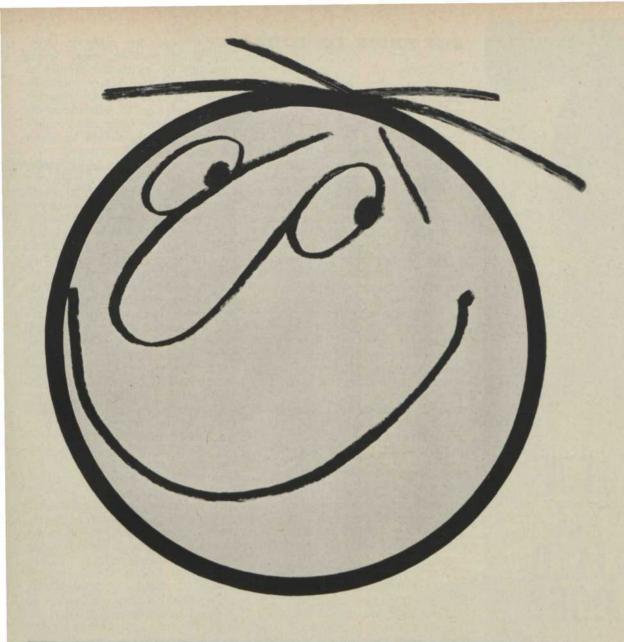
5. All employes have a chance of being promoted. For many, this possibility may be largely theoretical. However, in a money-centered society, many people feel compelled to seek promotion, and may feel dissatisfied with their present jobs. 6. Authority in a modern corporation often has to be vague and changeable. Executives are promoted both formally and informally, upgraded, downgraded, put on the shelf, transferred, fired, or hired from outside the company. An executive frequently finds himself dependent on the work of older, more experienced people who may or may not be required to cooperate fully.

Given these special conditions of modern society, what can a company do to reawaken job interest among its workers? Three approaches could be tried:

▶ Clarify authority and responsibility as much as circumstances permit. Make only one person basically responsible for each piece of work. Tell workers frankly and regularly why their jobs are necessary, what is expected of them, how well they are doing, and what they can do to improve. Make the paths to salary increases or promotion as clear as possible. Some companies already are doing these things more systematically than they once did.

▶ Urge all executives, from the president down, to cultivate respect for work well done at any level in the organization. This is something quite distinct from the air of good fellowship which is already widely used by tactful executives. It is deeper and more honest, and has enabled many great leaders to inspire overpowering loyalty without bothering to be tactful.

Even Captain Bligh had this kind of respect. In his log he once recorded having seen a ship at a distance furling its sails at sundown, and then dryly commented that it obviously couldn't have been an English ship. Even the Mongol emperor, Genghis Khan, at the height of his terrible power, is said to have made a point of living in a plain horseman's tent with his old riding cloak hanging on a peg by his throne. It was a way of indicating his awareness that his empire de-



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PUT PRIDE TO WORK

continued

pended ultimately on his horsemen, not his courtiers.

On the other hand, when leaders lose this respect for their subordinates, their power of leadership begins to decay. This loss of respect between leaders and led was evident during the decline of the pre-Mongol Chinese dynasties, the Roman Empire, pre-Revolutionary France, and Imperial Russia, to mention only a few examples.

The reasons are not hard to understand. Among man's most basic drives are the drive to prove himself worthy as an individual, and to have some influence on the human race. If a man does not receive respect for work well done, he is robbed of these basic rewards. On the other hand, if he receives respect when he earns it, his energies have no limits.

▶ Offer good workers substantial pay incentives within each job category. This approach is the most important of all.

Pay is important

It is ironic that some companies, whose purpose is to make money, don't seem to use the money incentive to their own advantage when dealing with lower-ranking employes.

Far too often, salary increases depend on promotion or on length of service rather than on performance.

Such increases provide no incentive to the many workers who cannot expect promotion. When the conscientious worker decides he cannot expect promotion he must either give up or look for another job. It is wasteful and cruel to make enthusiastic workers turn bitter, merely because they could not qualify for promotion.

Even for the relatively few workers who can reasonably expect promotion, salary increases geared to promotion alone are an invitation to regard their present jobs merely as springboards. They may even suspect that wholehearted involvement in their present jobs will cause them to be frozen, while more aggressive, if less conscientious, co-workers move ahead.

Salary increases which emphasize length of service may encourage employes to make their home with the company, but will not encourage them to work.

To use the money incentive effectively, companies should set relatively high upper limits on the pay scale for each job category. Overlapping of possible salary levels from one job to another should be permitted. Major salary increases should be paid only for superior performance or to offset cost-ofliving increases. Only small salary increases, if any, should be given for length of time employed.

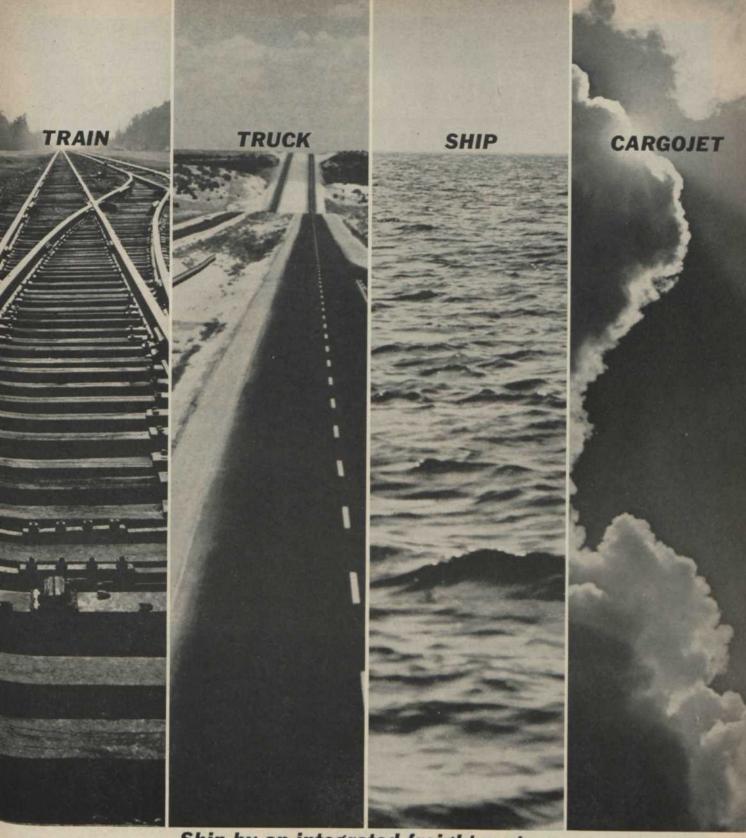
Many companies say that their salary systems were originally set up with these purposes in mind. However, in practical operation, their ability to reward good workers without promoting them is severely limited by three conditions: unions may insist on substantial salary increases for their members based on length of service; employes who are not unionized may rebel and seek union help if length-of-service salary increases are not given; and, budgets place limits on the average salary per employe.

The first problem is the hardest to deal with. Union members include some people who would not be interested in doing better work for better pay, and others to whom the possibility of such a reform has not even occurred. Chances of changing union attitudes in the near future are slim.

The second problem may be more the company's own fault. If a large number of its nonunion employes prefer salary increases through longevity rather than through their own performance, this implies the salary program has already attracted that type of employe, repelled conscientious workers, and killed the initiative of the rest. The fact is that many companies have made it impossible for their workers to participate legitimately in the free enterprise system.

However, if such a company were to start now to reduce or eliminate future longevity increases, while at the same time increasing rewards for good performance, employe attitudes would change. The company could develop a team of workers who would favor a salary program which emphasizes performance.

The third problem, that of the existing practical limits on the average salary per employe which any department can pay within its budget, appears to have a ready solution. A more realistic method of budgeting salary expense is needed. Instead of basing the salary budget on the number of people employed, base the budget on the volume and quality of the department's output. If two good workers can do the job of three bad workers and do it better, then the two good



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PUT PRIDE TO WORK

continued

workers should be rewarded accordingly. If this is done, there need be no arbitrary limit on the potential salary of any worker.

What to expect

These three approaches would tend to harness the peculiarities of modern society instead of fighting against them. You could expect at least these benefits:

All workers-not just executivescould experience a sense of achievement in performing their jobs well. There would be real possibilities for self-fulfillment in lower jobs.

Good workers who can't qualify for promotion would nevertheless have the respect of other employes.

Ambitious workers could concentrate on doing their jobs well, instead of merely trying to look good for promotion. There would be more honest work done, and less jealousy and in-fighting.

Good workers would stay with the company, while chronic loafers would lose patience and leave. The problem of high-paid older employes who are not conscientious workers would gradually disappear.

Employe attitudes would change. Pride in one's work would come back into fashion, as would the idea of earning higher pay through better work.

Employe receptiveness to labor unions, and to the lock-step working practices which labor unions often insist on, would be reduced.

There would be no increase in salary expense relative to work performed. Measured on this basis, salary expense would go down. Since productivity per worker would increase, prices could be cut. The standard of living would increase.

By reviving respect for honest work and by rewarding it in a tangible manner, these approaches could give to millions of workers a new sense of purpose. The working day would once again hold an element of adventure, and moral values would have greater meaning. American society and the free enterprise system would both be strengthened at a time when they urgently need to be strengthened.

-ADDISON S. BECKLEY

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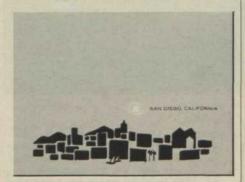
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IDLE WORKERS

continued from page 32

making payments for a year or longer. Under the government's unemployment insurance program for railroad workers, those unemployed may receive up to 60 per cent of their pay, up to \$51 a week, for a full year if they've been employed on the railroads for 15 years. Tenyear men can draw for nine months, others for six months.

They are entitled to the same amount of benefit if they are engaged in a strike that is legal under the Railway Labor Act, as well as when they are ill. Some 18,800 strikers received benefits averaging \$203 from the fund last year. This puts the railroads in a position of financing strikes against themselves.

The current rail tax rate, effective through next year, is four per cent on the first \$400 of monthly wages.

Under the new Trade Expansion Act, workers thrown out of jobs as a result of foreign competition attributable to tariff changes will be compensated for a full year if they are under 60, and for an extra three months if they are older. If they retrain for another job, they may be compensated for up to a year and a half. Based on a formula of 65 per cent of the worker's average weekly wage-not to exceed 65 per cent of the national average wage for factory workers-the payments will not exceed \$61 on the basis of current wage levels, and are expected to average about \$48.

Compensation under this program will be much more liberal in both duration and amount than that provided by the states for other unemployed workers.

Only nine states pay benefits for longer than 26 weeks, with Oklahoma paying the longest, 39 weeks.

Only two states pay as much as \$61 a week: Alaska, up to \$70; Connecticut, up to \$67.

Benefits under the trade act will be paid entirely out of the general federal funds instead of supplementing state payments, as the Administration had requested.

Potential for the future

Nevertheless, by providing larger benefits for a longer period and creating a disparity with other unemployed workers whose unemployment is just as real and may have been indirectly caused by the tariff policy, the trade act adjustment program is bound to build pressure for expanding state programs.

Under this year's Manpower

Development and Training Act, workers participating in approved retraining programs will be entitled to benefits equal to what they would get under unemployment compensation for as long as 52 weeks.

The government plans to spend \$430 million for a three-year program. It will bear the full cost the first two years, with states sharing the cost on a matching basis the final year. About 70,000 workers are expected to be trained the first year, and receive benefits for 20 or 26 weeks on the average.

This is admittedly a pilot program which the Labor Department

feels has great potential.

Secretary of Labor W. Willard Wirtz believes that, with the new retraining program-the first in which workers are schooled for particular jobs-the government is on the threshold of one of the biggest and most important labor programs in our history. Under supplemental unemployment benefit plans, prevalent in the automobile and steel industries, workers laid off may draw benefits for up to 52 weeks. The usual plan provides for supplementation from an employer-financed fund of up to \$40 to provide a benefit which, when added to unemployment compensation, will give the worker 60 or 65 per cent of his normal pay. Extra benefits are paid for dependents.

Another form of pay for idleness which is spreading in private industry is the weekly pay guarantee, usually financed from funds used for supplemental unemployment or

separation pay.

Under the major steel industry contracts, workers are assured pay for 32 hours in any week in which they work. In the automobile industry, when they work less than 40 hours, workers are paid 65 per cent of their regular hourly wage for every hour less than 40.

Despite the second best year in automobile history, Ford Motor Company, during the first eight months of the short-week benefits plan, had paid out \$1,178,000.

Representatives of business warn of the consequences of making un-

employment too attractive.

"There is a grave danger," says
E. S. Willis of General Electric
Company, "that disproportionate
increases in unemployment benefits
will lead towards making unemployment so lucrative that it will
become an end in itself, thus attracting increasing numbers of people who must then be supported by
a diminishing productive force."

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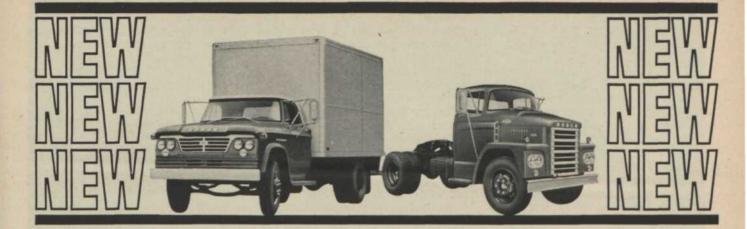
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Two of the new Dodges (PD500 and PD600) are conventional cab models. The other two (PC500 and PC600) are of low cab forward design.

The low cab forward design gives you a BBC of just 893/4"; with swing-out fenders, and a 90° hood opening, giving wide-open engine accessibility, and putting all front end service and lubrication points within easy reach.

Both 500 models have a GVW rating of 19,500 lbs., a GCW rating of 34,000 lbs. Both 600 models have a GVW of 22,000 lbs., a GCW of 36,000 lbs.

With any one of these four new Dodges, truck or tractor, in city or suburban service, here's what you can expect: Longer engine life because of the diesel's inherent extra ruggedness. Lower engine maintenance costs. Exceptionally good fuel economy on low-cost fuel. And at least twice the fuel economy at engine idling speeds.

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CONGRESS

continued from page 37

Rules Committee would resurrect the 21-day rule, under which the chairman of a committee that has approved a bill can bring it before the House if the Rules Committee has disapproved it or failed to act within 21 days. This rule was adopted by the House in 1949, but eliminated in 1951.

Another proposal that would help take a bill away from any House committee would reduce to 150 the number of members required to petition for discharge of a bill. The number required has stood at 218, a majority of the House, since 1935.

In the Senate, the right of unlimited debate, which can be revoked now only by a two-thirds vote, has been a traditional stronghold of conservatives. Senator Clark proposes measures to weaken this right: one limiting the time a Senator may hold the floor to three hours, provided objection is raised, and another authorizing the Senate to vote that all debate be germane.

Proposals for congressional change, of course, are not all sponsored by Administration supporters.

The prolonged feud in the past

session between the Senate and House Appropriations Committees lends added weight to a proposal which would bolster the strength of Congress in its fiscal dealings with the executive branch.

The Senate has passed six times a bill by Senator McClellan which would establish a joint Senate-House committee on the budget. Opposition by members of the House Appropriations Committee, who jealously guard the House's prerogatives in initiating money bills, has prevented consideration by the House.

Such a committee is "absolutely imperative with the big government we have now," Senator McClellan says

"The Congress has for many years labored under a tremendous disadvantage in connection with processing budget requests and making appropriations," he adds.

"Budget requests are usually accompanied by elaborate justifications, based upon extensive agency programs and backed up by a mass of statistical data and testimony of technical experts who have devoted many years in the specialized fields in which they operate. Their main objective is to continue and frequently to expand existing programs, which they undoubtedly feel are in the public interest; also, to secure appropriations for new agencies, programs and functions.

"Testimony from the public, except from witnesses appearing in behalf of public works projects, is rarely received. In a vast majority of instances, the only manner in which the public interest can be considered and protected, with respect to the purpose for which the funds are sought, their need and adequacy, is through careful scrutiny of requests and justifications by members of the Appropriations Committees. It is impossible for their relatively small staffs to examine and evaluate the annual budget with its thousands of items, running to approximately 1,200 pages of telephone book size each year, within the very limited time available."

One of the important features of the proposed joint committee would be the establishment of a permanent, full time, nonpolitical staff of experts which would help balance the huge corps of experts in the Bureau of the Budget and the executive departments.

At present Congress handles its appropriations in piecemeal fashion, with little knowledge of how the total will add up or what will be the long range financial impact of federal programs.

The proposed joint committee would investigate all aspects of the federal budget. The information which it developed would be helpful to the Appropriations Committees and other committees in eliminating wasteful practices, recommending cutbacks in programs where possible, and developing a carefully considered fiscal program aimed at holding expenditures to a minimum in relation to anticipated revenues.

Senator McClellan terms it "a positive approach to the elimination of extravagance, waste and needless or excessive appropriations."

The need for some reorganization of congressional procedures is generally recognized. A number of authorities on Congress believe that the growing interest in the problem may well be the start of a bipartisan movement such as the one which resulted in the Legislative Reorganization Act of 1946, the last major change in Congress' operations.

A bipartisan group of senators, including Senator Clark, has proposed establishment of a joint Senate-House committee to study reorganization next year.

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WESTERN AIRLINES

WHAT CONSUMERS WILL BUY IN 1970

Steady rise in spending volume is expected

BUYING BY AMERICANS continues to rise substantially in all categories, analysis of consumer trends shows. Spending in 1970 will average about \$9,000 per family, according to a NATION'S BUSINESS projection.

But changes in spending patterns show that not all segments of the economy will benefit equally.

Expenditures for household operation, medical and dental care, recreation, interest on personal debt, and personal care have increased their share of the family dollar while decreases have been registered in food, clothing and shoes, furnishings, and alcoholic beverages (see chart).

The largest spending item-food-will account for \$1,800 per family in 1970, compared with \$1,550 to-day.

Housing expenditures, averaging about \$800 for each family today, have remained fairly constant at 11 per cent of family income. The big change here is that the quality of housing is steadily improving, with 62 per cent of all families owning their own homes; one fourth of housing is less than 10 years old. Average housing expenditures are estimated at \$1,000 per family by 1970.

Spending for household operation, including utilities, telephone, household supplies and domestic service, has risen from \$394 per family 10 years ago to \$625 today, and is expected to reach \$800 by 1970.

Analyses of clothing and shoe expenditures, expected to reach \$775 per family in 1970, show that families purchased \$1.77 worth of shoes for every \$10 worth of clothing 10 years ago, compared with \$1.85 today.

Automobile expenses, including equipment and repair, have risen from \$358 per family 10 years ago to \$525 today, reflecting the 65 million cars on the road, one for every three persons in the country. Three families in four have cars, and one in seven has more than one.

Among the fastest rising items is medical and dental care which may reach \$650 per family by the end of the decade, as the public continues to obtain more and better care.

Also increasing rapidly are recreation expenses, with admission to theaters and other spectator amusements decreasing as a proportion of the total in favor of radio, television and records, and most markedly in favor of toys, sports supplies, wheel goods and boats.

The average family, which spent \$341 10 years ago for furniture, furnishings and household appliances, is expected to spend \$475 by 1970. Gasoline and oil expenditures will have risen from \$159 to \$350 over the same period.

Purchases of alcoholic beverages, for which the average family outlay may reach \$250 in eight years, nevertheless have declined from \$1.53 to \$1.45 for every \$10 in food purchases over the past 10 years. Over the same period, expenditures for tobacco products have increased from 92 cents to \$1.07 for each \$10 spent on food.

Interest on personal debt—only \$59 per family 10 years ago—may reach \$225 by 1970.

Another fast-rising item is personal care, including toilet articles and barber and beauty parlor services, rising from \$66 per family 10 years ago to \$125 today.

REPRINTS of "What Consumers Will Buy in 1970" may be obtained for 15 cents a copy or \$9.00 per 100 postpaid from Nation's Business, 1615 H St. N.W., Washington 6, D.C. Please enclose remittance.

FAMILY BUYING PATTERN IS CHANGING

Here's how average consumer spending dollar is divided

	1952	1962	1970 estimated
FOOD	25.6%	21.4%	20.0%
	\$1,328	\$1,550	\$1,800
HOUSING	11.0	11.0	11.1
HOUSEHOLD OPERATION	7.6	8.6	8.9
HOUSEHOLD OPERATION	\$394	\$625	\$800
CLOTHING, SHOES	9.9	8.6	8.6
	\$513	\$625	\$775
AUTOS, EQUIPMENT, REPAIR	6.9	7.2	7.5
	\$358 4.6	\$525 6.6	\$675 7.2
MEDICAL, DENTAL CARE	\$242	\$475	\$650
RECREATION	5.6	6.2	6.4
RECREATION	\$291	\$450	\$575
FURNITURE, APPLIANCES	6.6	5.5	5.3
	\$341	\$400	\$475
GASOLINE, OIL	3.1 \$159	3.6 \$260	3.9
	3.9	3.1	2.8
ALCOHOLIC BEVERAGES	\$203	\$225	\$250
INTEREST ON PERSONAL DEBTS	1.1	2.1	2.5
	\$59	\$150	\$225
TOBACCO PRODUCTS	2.3	2.3	2.2
	\$122 1.3	\$165 1.7	\$200 1.9
PERSONAL CARE	\$66	\$125	\$175
OTHER EXPENDITURES	10.5	12.1	11.7
	\$544	\$875	\$1,050
TOTAL	100%	100%	100%
	\$5,190	\$7,250	\$9,000



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TEST YOUR DECISION-MAKING ABILITY

Answers and commentary on questions on pages 38, 39

1. A or B, but not C.

In this case keeping your friend and pursuing profits are conflicting goals. Decide to do one or the other, but not both. If you try to compromise you will both hurt the friend

and lose the profits.

A group of University of Akron students participated in an experiment where, in order to maximize profits in a risk-taking game in which they had invested their own money, they had to penalize a close friend. Most either decided to play for the profits, or to withdraw from the game in order to keep from jeopardizing their friendship. however, never made the decision. They vacillated from one to the other, trying first to make a profit and then to mollify the friend, succeeding in neither.

Investigation of those who vacillated revealed that they fell into two classes. Some-the fuzzy-headed -failed to realize that their goals were in conflict. Others saw the conflict well enough, but were unable to make up their minds. They were in the position of the jackass who starved to death while standing midway between two equally succulent piles of hay.

A good decision-maker is neither fuzzy headed nor is he a jackass. He is aware of his goals and he rates them according to their importance. He avoids situations which tend to create conflicting goals and therefore is not blocked from wise decisionmaking at the very start.

2. B, but not A or C.

This question refers to your level of ambition. If you would take the same kind of job even at a 15 per cent raise, you are probably aiming too low. On the other hand, if you wait for the job of your dreams, you are probably aiming too high. After all, if you really are worth a great deal more, your work in the growing company will prove it. A good decision-maker keeps his ambitions in line with his experience. Timidity leads to lost opportunities, and overconfidence to rashness. Surprisingly, research has indicated that some businessmen have a greater tendency toward rashness than toward conservatism in risk-taking ventures. (See "Cut the Risks in Decisionmaking," NATION'S BUSINESS, January 1961.) That is because they tend to concentrate on rewards while ignoring risks and costs. Good decision-makers consider all three.

3. D is best; C may be all right, but A and B are not good ideas.

This question illustrates some of the pitfalls in searching for the best action.

This search is a creative act in which you scan your memory and your environment for clues about what to do. This creativity leads to the first major pitfall, for just as mothers love their children, decisionmakers love their brain children. There is, therefore, a tendency to stop creating once one possible course of action has been invented. even though that course has proved to be inadequate. Some people cycle through the same creative process over and over again, repeatedly coming up with the same unacceptable solution. If you chose to use the catchy name you thought up years ago you may be guilty of loving your own brain children too much.

The second major pitfall stems from the fact that anyone's perception is limited. You can only see what you are looking at, and you can only hear what you are listening to. If you are not looking and listening in the right place at the right time you might miss relevant facts. This is a frequent source of error in decision-making. Therefore, the wise decision-maker expands his perceptive range by soliciting advice from colleagues and subordinates and by listening to it carefully. That's why it may be a good choice to hold a contest among employes for suggested brand names.

However, brand names can be extremely important to the success of the product. Therefore, it would be best to use the scientific tools available to your research and development department to be certain that no relevant fact is missed.

The third major pitfall is to pay attention to irrelevant facts which act as red herrings or distractions. If you chose to name the product after the founder and president of the company, perhaps you were paying attention to office politics, which is irrelevant to the choice of brand names.

4. Any one of these might be the right answer, depending on how you arrived at it.

However, each illustrates a common fault in the process of evaluating decisions. Some people react to a painful mistake by lowering their goals too far. If you would sell out and get out of the market for good. or if you would stick to blue chips from now on, perhaps your decisionmaking ability is impaired by this fault.

On the other hand, some people refuse to learn from mistakes, blaming their failures on the breaks or on somebody else. If your tendency would be to sell out, accept your loss, and reinvest in another good bet, then there is serious question as to whether you can recognize a good bet when you see one.

The same is true if you would have faith in a decision which so far has proved to be poor. Finally, some people avoid facing the consequences of their decisions, postponing analysis and evaluation until all the facts are in. The facts won't come in. You have to go and get them. If you elected to hold tight and see what happens, perhaps you are evading consequences.

The appropriate behavior would be to analyze the process that you went through in making the investment decision in the first place. Did you miss a relevant fact? Were you led astray by irrelevant matters? Did you fall in love with your own brain child? Or did you, perhaps, concentrate on the reward potential without taking into account the costs and risks? This kind of self-analysis is essential in learning from experience.

5. D is the best answer.

Good decision-makers learn from successes as well as from failures. All too often, though, one is tempted to say, even to himself, "I thought that might happen." This sort of calling the shot after you've made it will keep you from learning.

Only after you have analyzed the reason for the appreciation in property value are you in a position to make rational decisions as to whether real estate is the business for you, or whether other opportunities are available.

Of course, simply to put it down to good luck without thinking out how you managed to make that kind of capital gain is just plain silly.

Wise decision-making is done by those who test their own ability so that they can learn both from their failures and from their successes.

-NORMAN F. WASHBURNE Department of Sociology University of Akron

REPRINTS of "Test Your Decisionmaking Ability" may be obtained for 15 cents a copy or \$9 per 100 postpaid from NATION'S BUSINESS, 1615 H St., N. W., Washington 6, D. C. Please enclose remittance.



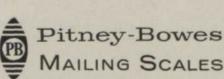
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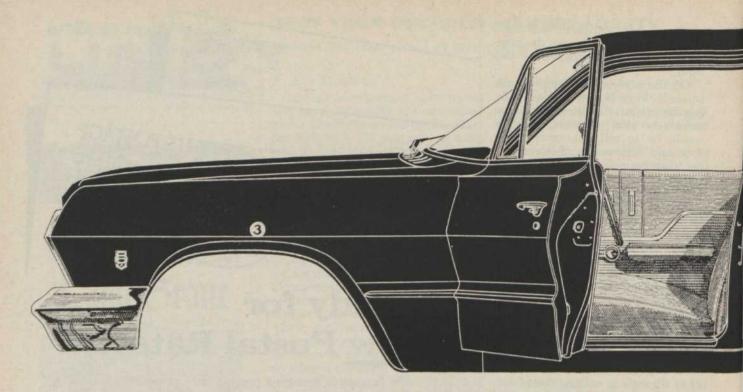
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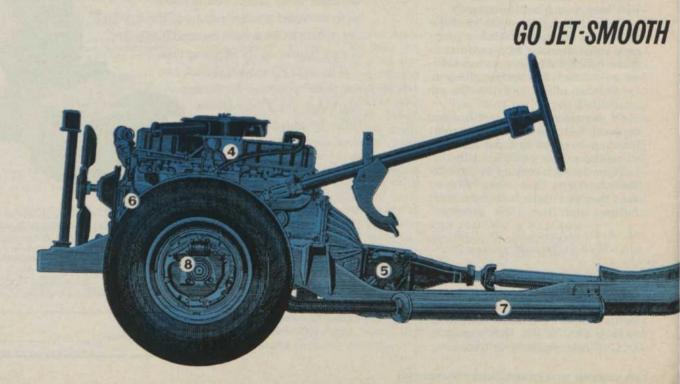


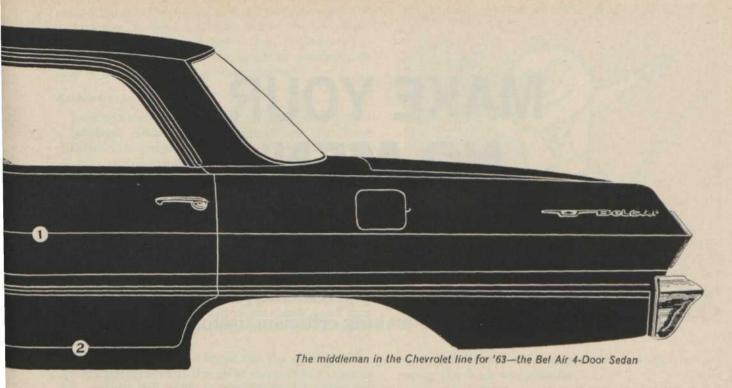
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seven main bearings for smoother operation. There's news in transmissions, too. You can order the standard 3-speed Synchro-Mesh or a new lighter weight Powerglide* transmission. Something else new under the hood: a new Delcotron generator that helps the battery last longer by delivering more current at lower engine speeds. A more fully aluminized exhaust system and new self-adjusting brakes mean lower upkeep, too. Many good things haven't changed, of course, such as Chevrolet's





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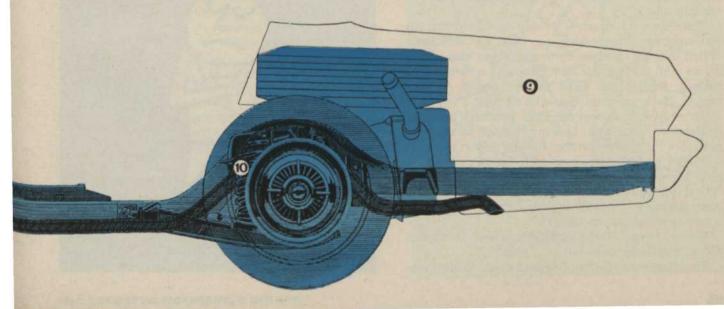
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MAKE YOUR NO MEN PRODUCTIVE

Interviews with company presidents produce concrete ideas for making criticism useful

EFFORTS TO GET fresh thinking are wasted in many companies because the ideas that do develop seldom get beyond the suggestion stage. The fault lies with an epidemic of "no men" who resist ideas, slow down decisions, and impair the effectiveness of the men they work for.

The old belief that most subordinates agree blindly with their bosses has to be updated, for in many businesses the yes man has been replaced by the no man.

Talks with 10 company presidents yield some suggestions on how to attack the problem—how to break through the negative barrier into a new zone of profitability.

New business attitudes—letting subordinates speak up, giving full weight to their objections—have built confidence to the point where few men are afraid to disagree politely with their superiors. This is an excellent thing, not to be changed or tampered with. But one by-product is a tendency to pick out the drawbacks in every plan to the exclusion of the favorable side.

The reason is clear: If a man is valued for his forthrightness in speaking up, then he feels compelled to voice opinions on every subject that comes before him. Unless his own proposal is being considered, there is no merit in just saying, "Yes, I agree." He must point out what's wrong.

Think of some recent meetings you have attended to consider new plans. Looking back on them, don't you have the impression that the one person who had advanced an idea often seemed to be surrounded by alert faces, all eager to show themselves keenly analytical by pointing out objections? Or think of a memo recently circulated in your company suggesting a new approach on any subject.

Weren't most of the comments about it of the, "Yes, interesting idea—but . . ." variety?

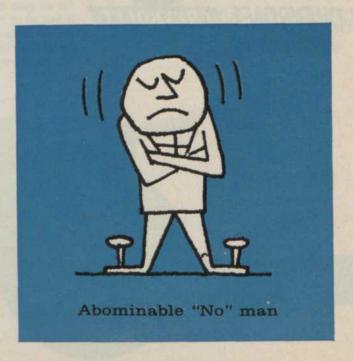
The dangerous effect of this is obvious. While busi-

nessmen try hard to build up initiative and creativity in their organizations, good ideas have to run a gauntlet of objections, some of them real and valuable, but many of them artificial, raised to show off personal ability, rather than to safeguard against error.

As one high executive said dejectedly: "It's one thing to talk about creativeness. But how do you get ideas fairly judged and used after they are generated?"

Of the company presidents consulted, most agree that this problem is an important bar to progress. About half of them feel that they have no answer. One admitted: "It is a terrific headache, but I have no solution. I'd like to hear what answers you get from other businessmen."

Another president says: "Yes, we've got several good men who seem to slow down every project. I've



always thought there should be one such individual in a company, to spot mistakes before they're made. But we have a surplus of them. These fellows are too capable to be left out of our planning sessions, but they're costing us a lot of wasted hours."

Emphasis on the leader

Four company heads, however, offer approaches to a solution. They volunteer suggestions that have clicked in their own firms—and it is noteworthy that all four companies have remarkable growth records.

One president emphasizes his belief in strong personal leadership at the top of the company and at every level of management.

"It all has to start with one good man—not only at the very top, but in each new plant or division or store or whatever the company has," he says. "If he loves what he does, has a sense of mission, he'll gather other good men around him, the kind who don't say no unless it's absolutely necessary. A manager without those qualities will never have good men around him for long, no matter how much money he offers them."

Does that add up to a belief that the old rugged individualists who built the great companies earlier in this century still exist in modern form? "Without saying that they have to be 'rugged,' I certainly believe that everything is done by individuals. All the trappings around a manager—committees, boards, advisers—can help and refine. But only one man can get an idea, create a vision from it, run it and build something. That kind of leader will never be troubled by no men. He gathers the kind of people who like to jump from peak to peak, who never want to stop climbing. When we can't get that sort of person to head up a new project, we just don't go into it at all no matter how good it looks."

However, he concedes he has faced no man problems at times. "One of our early projects was run by a man who had a negative approach to things. He gave all the men under him the impression that the answer was no before they even asked a question," he recalls

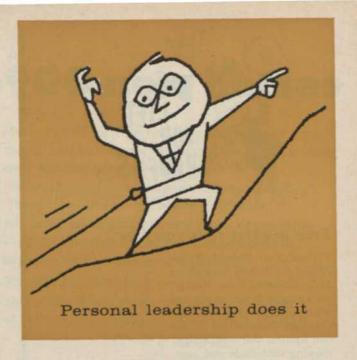
"I'd go out to the plant and see them working under terrible conditions, badly equipped. 'Why are you fellows assembling that equipment out in the open?' I asked one supervisor. 'Why don't we extend the plant so this work can be done inside?'

"He told me: 'Dr. —— always says we shouldn't ask top management to spend any more out here. So I didn't even want to ask him.'

"Then I asked Dr. — myself why he hadn't come to me. He answered the same way: 'I thought the company had too many other projects to put money into.' It was hard not to blow up.

"'That's for me to decide,' I told him. 'It's your job to ask for what your people need. I may have to tell you no, but at least let me have that opportunity.'"

A man of this type, the president observes, may be good in another job, even though poor in one that calls for aggressive management. He cites a company in which he has an interest and that was going through its money wastefully. "We put in a new boss—a real Scrooge. He cut the office staff from 15 people to five. It can't go on that way; but for now, the work is



getting done and we've stopped the red ink. In that spot, a Scrooge was essential.

"Far from being against all no men, I'd say that I might even like to have more of a certain kind of no man: I'd welcome more criticism of management's oversights, negative talk aimed at the things we're not doing. This is what I consider the real nub of the whole no man subject—the question of what the no's are about. I hate little reasons why things can't be done. But I'd like to hear more people saying, 'No, we shouldn't follow Plan A, because it's not enough. It would stand in the way of Plans B, C and D.'"

Finally, he says: "I want my people to say no to everything that represents stagnation and sameness. A company that tries to get along with the same product it made a few years ago is inviting disaster. Ability to change and change and change is the most important phase of business today."

Another strong advocate of individual leadership is





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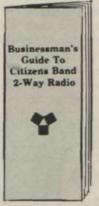


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PRODUCTIVE NO MEN continued

the president of a household appliance company. He asked that his name not be used because the firm, growing at a spectacular rate, is trying to avoid attention from its larger competitors until it has captured a bigger share of the market.

Operating on a tight, cost-pinching basis, this company raised annual sales from \$18 million to \$31 million in the past year, and it is projecting sales of \$45 million for next year.

Its president says: "I tell each department head that he's got to be a strong, bossy quarterback. And I'm the same kind of leader for the whole operation. That doesn't mean we don't want to hear objections when we have a new idea. But it means we won't let anybody get away with the word 'can't.' We want people to speak up and say what's wrong with an idea only if they end up by saying what's to be done to make it work."

Product planning approach

A different approach comes from R. L. Stephenson, president of Hoffman International Corporation, a New York firm that is rapidly expanding its sales of dry-cleaning equipment and industrial machinery all over Europe and Latin America. Mr. Stephenson sees the avoidance of negativism in terms of product planning. "Every company is plagued by a certain number of men who have quit, but haven't retired," he says. "That has to be dealt with individually, on a case-by-case basis.

"The greater problem is that even good men have a tendency to resist change. But that can be overcome by adjusting the direction and degree of change.

"If a company tries to do things that are totally outside its experience, there will be resistance. Our aim is always to use a few basic products and to adapt them to a variety of applications. This leads to the impression that we're very diversified; but actually, everything we do is closely related. So our managers are not subjected to 'new-product shock.'"

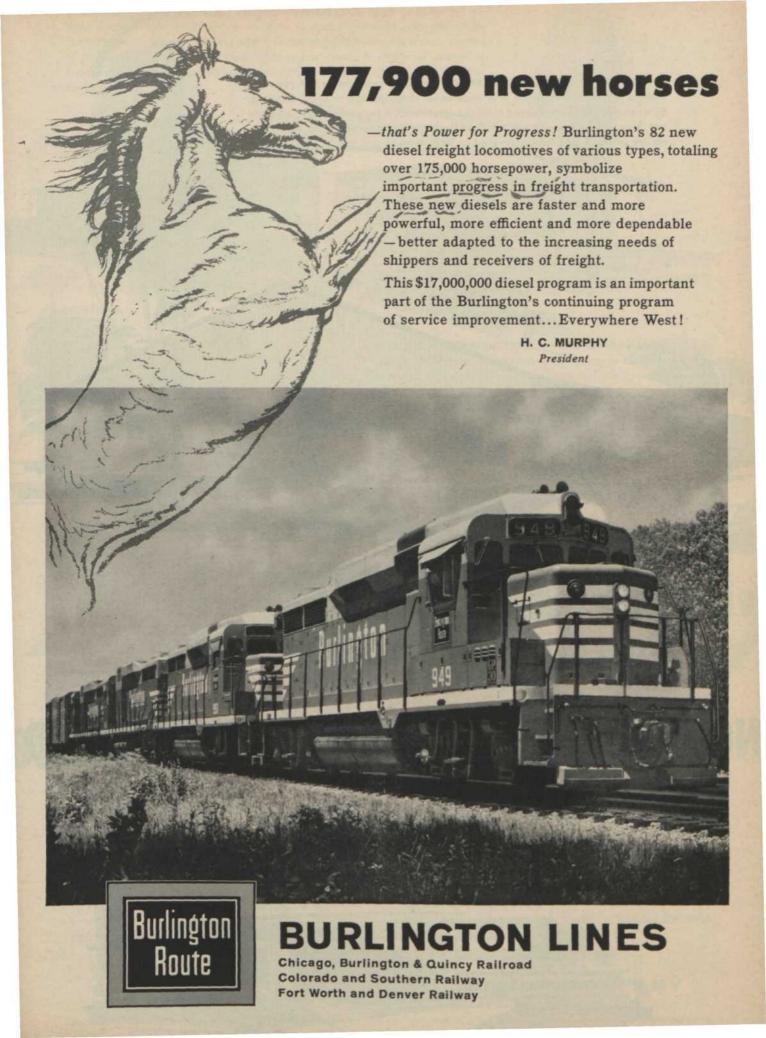
Mr. Stephenson cites two clear advantages for this policy:

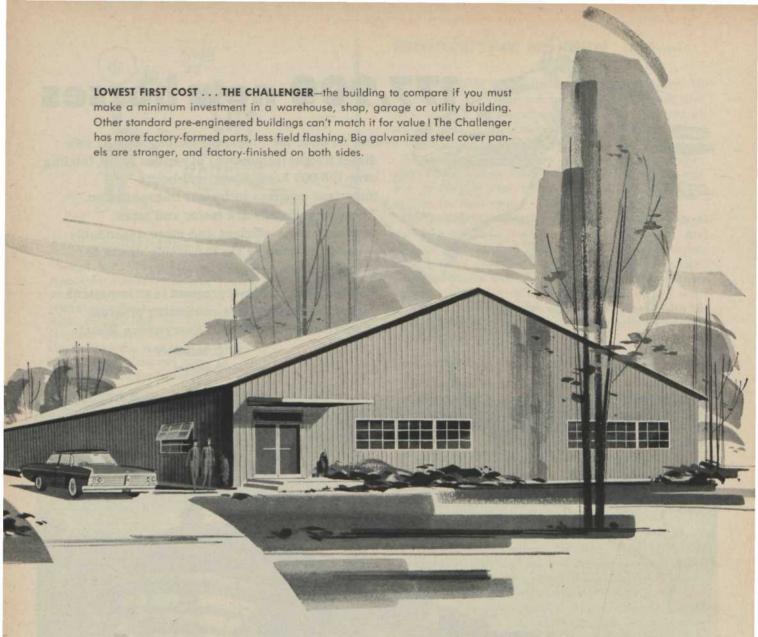
First, when Hoffman International solves a technical problem or makes a developmental breakthrough, that one achievement cuts across the board. The single effort is multiplied into many effects.

Second, when the company taps a new industry, its men are being asked to do jobs they already have some knowledge of, so negative reactions are minimal. There is no need to re-educate completely the sales, engineering and production departments.

"Of course, there will always be negativism about small matters in most companies, and nothing can cure it all," Mr. Stephenson admits. "But the makeor-break decisions are those of company expansion. They can be slanted in a positive direction by trying to develop new uses for existing products and new products based on existing principles."

Another president takes an introspective view of the no man problem: "I start by curing myself. Whenever a new idea is in front of me, I force myself away from thinking, 'What's hard (continued on page 92)





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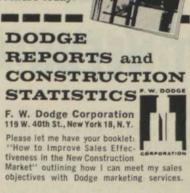
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PRODUCTIVE NO MEN continued

about putting this into effect?"—because an awful lot of the no man reaction results from the fear that any new plan is going to mean extra work or trouble for you personally. Instead I think of what the benefits might be, of the increased sales, or lower costs, or the solution to a long-standing problem.

"Then, having decided that I'd like to see this happen, I ask myself: 'Now what's the hitch? What are the drawbacks and how can we get around them?'

"When I pass the idea along to others, I take it in the same order. I ask for the positive reactions first. The contrary points always come second."

For balanced decisions

From these thoughts that have been successfully tested in business, we can distill five rules that will help every executive to get more forward motion from his team:

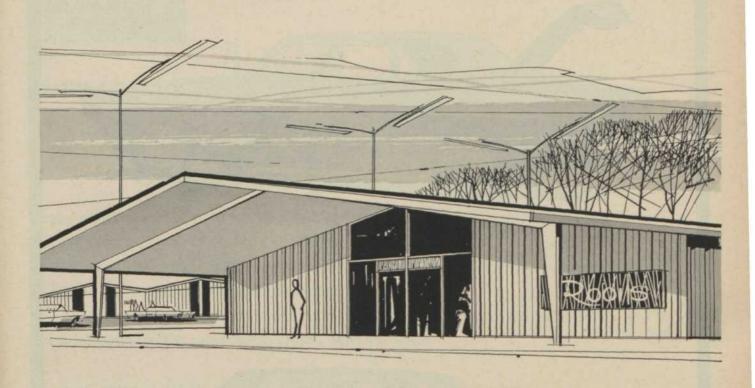
- 1. Start with yourself—with the attitude that a new idea is good until it's proved bad, and never the other way around.
- 2. Present ideas to others in a way that indicates something new is going to be done in any case. Example: Don't say, "What do you think about going in for direct-to-customer distribution in order to save the amount we now spend on discounts to dealers?" Put it more like this: "We have to find a way to increase our profit margins. Should we attack this by trying to trim costs here in the plant, or should we look into changes that lower the distribution cost of the product?"
- 3. Always ask for pros and cons—and in that order. Never ask simply for comments, for those comments will usually throw cold water on the plan. If you say, "Tell me what you like and what you don't like about this," even those who tend to oppose new ideas will often surprise themselves by finding that the cons they think up have much less weight than the pros.
- 4. When anybody in your group insists that an idea won't work, press him for constructive suggestions. Instill the feeling that you will never consider the conversation or correspondence closed until he has come up with something better.
- 5. Keep the degree of change within reasonable limits. If you're getting "no" reactions to good ideas even from men who are normally progressive, it may be a sign that the projects are out of your league.

Not all new ideas are good. Not even the majority of them deserve to survive. But in a day when creative ideas are so badly needed, and cost so much to get, it's important not to throw the baby out with the bath water. Since the tendency to say "no" to anything new dominates, the manager who steers his team in the direction of "yes" is most apt to come up with balanced decisions.—CHARLES A. CERAMI

REPRINTS of "Make Your No Men Productive" may be obtained for 15 cents a copy or \$9 per 100 postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D.C. Please enclose remittance.

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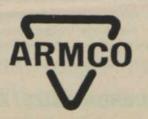


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NATION'S BUSINESS EDITORS REPORT ON: Trade with Reds

How much business America and its allies should do with the communist bloc could become a heated issue in the next Congress.

Some influential U.S. lawmakers plan to press for relaxation of laws restricting sales to the Soviet Union and its satellites.

Other congressional leaders will fight to block such moves. Still others will call for even tighter reins on our trade with the Reds.

* * *

Behind growing debate over our trade relations with communist nations is a biting paradox:

While Americans fume over communist probes in several areas of the worldincluding Cuba—our allies are expanding commerce with the Reds.

Unlike Washington, other Western capitals do not follow a tightly restrictive line when it comes to trading with communist countries.

Shipment—in vessels of allied countries—of cargoes consigned to Havana was spark that ignited current controversy over business dealings with communist-controlled countries.

But disputed trade with Havana is only one facet of over-all picture.

Consider these facts:

Since 1954 the dollar volume of trade between Russia and four of our major allies—Great Britain, West Germany, France and Italy—has jumped from \$311 million to \$1.2 billion. That's a fourfold rise in eight years.

Expectations are that this trade will grow, unless cold-war developments or U. S. pressure curtail it.

* * *

Great Britain is Soviet Union's biggest trading partner in free world.

Between 1954 and 1961 trade between the two rose from \$156 million to \$432

SPECIAL LETTER: Trade with Reds

million. Among major British exports to Russia are copper, carbon black, and industrial diamonds—all items which our government forbids U. S. companies to sell to Russia because of their possible military use.

West Germany is Russia's second biggest Western customer-supplier. In 1961 trade between Bonn and Moscow totaled \$401 million.

* * *

U. S. trade with Russia, never big, is small compared with that of our allies. Here's the picture: Total U. S.-Soviet trade in 1961 was \$69 million.
Estimates are that total this year will approximate \$60 million.

Since '54—a year generally chosen for comparisons because it marked a post-Korea softening in Western trade attitudes toward the communist world—U. S.-Soviet exchange has totaled \$261 million.

Items sold by U. S. exporters to Russia are nonstrategic.

Examples: tallow, synthetic fibers, laundry equipment. Similarly, we buy things from Russia which have no military implications—such as furs, caviar.

* * *

Red China is another customer of America's allies. U. S. itself has embargoed trade with the Mao regime since 1950.

Communist China's biggest free world customers are Australia, Hong Kong, Canada, Great Britain.

Last year trade between Britain and China totaled \$123 million, included wool, copper, synthetic rubber, turboprop aircraft and radar equipment which the British sold the Red Chinese, and silver, cotton fibers and tea which Britain purchased from them.

This year British exports have included truck chassis, steel plate, aluminum, scientific equipment.

Other free world nations doing business with Red China include West Germany, Burma and Malaya-Singapore.

* * *

To keep Red trade with our allies in focus, look at total world trade.

Communist trade with outside nations is only a fraction of international business—communist bloc purchases amounting to less than four per cent of total world exports.

Expressed in dollars, Russia's total annual trade with free world amounts to about \$3 billion. Total world exports were \$123 billion in '61.

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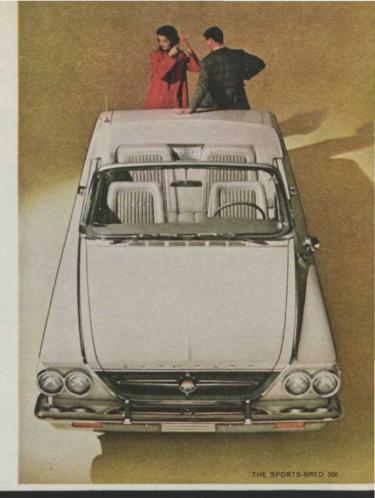
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A QUALITY PRODUCT OF CHRYSLER CORPORATION







WE MUST CUT TAXES

continued from page 40

effect." The increased production of capital goods expands gross national product, stimulates further consumption and increases profits. It reduces the deterrent effect of excess capacity, which has tended to discourage investment in productive facilities during the past five years or so.

3. Reducing personal and corporate taxes raises profit margins for businessmen and enlarges the supply of internal business funds available for investment. Tax reduction thus strengthens the incentive to invest in two ways: Businessmen have money available to undertake the risks of new investment. And there is the prospect of larger after-tax returns to be earned on new productive facilities.

So, tax reduction would help business directly by reducing the tax load on business enterprise and indirectly by stimulating demand for both consumer goods and capital goods, thereby boosting the volume of sales and output. Indeed, tax cuts achieve their stimulating effect mainly by inducing business to employ, produce and innovate.

If the economy were operating close to capacity levels with few workers unemployed, tax reduction would be poor public policy. The rise in spending that would result from a tax cut could hardly bring about much increase in production and employment. Instead, increased purchasing power chasing after a virtually unchanged supply of goods and labor would bid up prices and wages and might well set in motion an inflationary spiral, which would hurt the nation. However, today we have excessive unemployment and much unused plant capacity, with no indications of significant inflationary tendencies.

Not that the U. S. economy has by any means been on dead center. Encouraging progress has been made in the past year or so. For instance:

From the first quarter of 1961 to the second quarter of 1962, the gross national product at current prices rose from \$500.8 billion to \$552 billion (annual rates). After price corrections, the increase was 8.6 per cent. Unemployment, nearly seven per cent of the labor force in early 1961, has averaged 5.7 per cent in recent months.

Personal income rose by over nine per cent and real per capita disposable income by nearly 4.5 per cent in the last year and a half.

Corporate profits before taxes rose from a \$39.8 billion rate in the first quarter of 1961 to \$50.9 billion in the second quarter of 1962, an increase of 28 per cent.

The index of industrial production has risen by about 16 per cent between February 1961 and August 1962. Prices have remained remarkably stable in the face of this substantial expansion in production and employment—consumer prices

stantial expansion in production and employment—consumer prices have risen 1.5 per cent from February 1961 to August 1962, and wholesale prices have actually declined slightly.

The international balance of payments deficit, which amounted to \$3.9 billion in 1960, declined to \$1.4 billion (annual rate) in the first half of 1962.

It would be far too complacent. I believe all will agree, to rest on these gains. Despite our progress it is sobering to see how far we will have to go to achieve a fully satisfactory economic performance. Unemployment is still substantially above our interim goal of four per cent of the labor force. This goal in itself is modest compared to rates regularly achieved by most other western countries. Total output today is still some \$30 billion short of what we would turn out if we were operating at four per cent unemployment and correspondingly high operating rates in industry.

Moreover, our present situation and prospects must be considered in the context of the developments in our economy over the last few years. Our unemployment rate has not been as low as four per cent of the labor force since April 1957. From the beginning of 1958 through September 1962, it averaged 6.1 per cent. In sharp contrast, full employment was the normal state of the American economy from 1946 to 1957 except for brief recession.

During the four-year period 1958-1961, gross national product averaged nearly \$35 billion a year less than the potential output we could have produced if the economy had been operating at a four per cent unemployment rate. During this same period, personal income averaged \$20 billion a year less than its potential. Corporate profits before taxes fell short of potential by more than \$8 billion per year. In addition to underutilization of our economic capacity, we have experienced a slowdown in our rate of economic growth. From 1957 to 1961, GNP (in real terms) increased on the average only about 2.25 per cent a year compared with



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WE MUST CUT TAXES

continued

a potential rate of growth of about

3.5 per cent.

It now seems clear that one of the chief reasons for the sluggish behavior of our economy over the last five years or so is the persistent drag exerted by our present federal tax system. This is readily illustrated by a close look at what happened from the first quarter of 1961 to the second quarter of 1962. It helps show why taxes must be cut.

During this period, gross national product, at current prices, as already noted, increased \$51.2 billion. At the same time, federal tax revenue as shown in the national income and product accounts increased by \$15.7 billion-nearly one third of the rise in GNP.

Part of the \$15.7 billion increase in taxes was offset by a rise of \$3.4 billion in government paymentssuch as unemployment insurance, old-age benefits, interest on the public debt. Moreover, federal pur-chases of goods and services increased by \$6.7 billion. The net effect was a decline of \$5.6 billion in the federal deficit on an incomeand-product basis-from \$6.3 billion in the first quarter of 1961 to \$0.7

New York Ohio Michigan Indiana Wisconsin Missouri Oregon Kentucky

Massachusetts New Jersey Pennsylvania Washington, D.C.

billion in the second quarter of 1962. An economy operating at four per cent unemployment would have moved the second-quarter budget to a \$7 billion or \$8 billion

(The federal budget on a national-income-and-product-accounts basis measures the impact of government activities on the economy better than do the traditional budget figures. The income and product budget differs from the traditional administrative budget chiefly in that 1, it includes social security and other trust funds; 2, it excludes government lending operations, and 3, it records transactions between government and business at the time liabilities are incurred rather than when cash changes hands.)

With our present federal tax system, taxes tend to grow by roughly 30 per cent of any rise in gross national product during periods of economic expansion. With a federal tax system that drains off about 30 cents out of every additional dollar generated by production, a very strong expansionary thrust is required to drive the economy strongly forward.

Our present situation is a specific case in point. To bring unemployment down to four per cent would require a rise of \$30 billion or so in gross national product. To offset the accompanying \$9 billion drain of federal taxes, together with roughly \$6 billion of added savings and state-local taxes, would require an increase of some \$15 billion in private investment or government outlays. In the absence of these offsets, the \$30 billion rise would not

As expansion develops, the federal budget shifts strongly from deficit toward surplus, thereby draining larger increments of purchasing power out of the economy than it puts in. The expansion can continue only if consumers, business, and state and local governments increase their spending faster than their incomes rise, thereby putting more purchasing power into the spending stream than they take out. Indeed, this has been a characteristic of successful expansions in the past.

In particular, it is clear that if we are to achieve full use of the American economy's great productive potential without large increases in government spending, corporate business will have to expand its spending for productive investment substantially above present levels. Indeed, the arithmetic of high employment combined with a federal budget surplus requires that busi-





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ness spend on investment more funds than it obtains from retained earnings and depreciation allowances, financing the excess by absorbing the savings of other sectors of the economy.

WE MUST CUT TAXES

For five straight years plant capacity has not been fully used. Small wonder that the inducement to invest in plant expansion has been weakened. And no small part of the reason is to be found in the tax drag on purchasing power and the associated drag on profits and incentives. To reduce this double drag and, in the process, to restore to American enterprise that vital dash of optimism needed to invigorate business investment and economic activity, is at the top of our economic policy agenda for 1963.

Decisions as to the size and composition of next year's tax program will, of course, need to weigh a variety of economic considerations:

▶ The appropriate relationship between revenues and expenditures at high levels of employment:

The need to combine individual and corporate tax reduction in the manner best suited to yield maximum interlocking impact on markets and incentives;

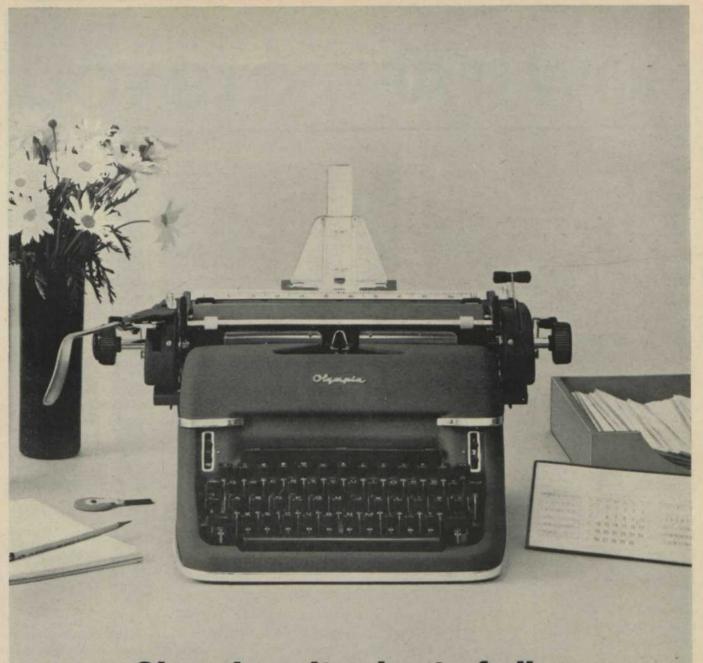
The need to reduce unrealistic top marginal tax rates as part of a balanced reform of the income tax;

▶ The achievement of balance between tax reduction and tax reform which will advance the cause of economic efficiency and growth sideby-side with that of tax equity.

The stakes in a timely and extensive income tax cut—both individual and corporate—are high. The Chamber of Commerce of the United States has responsibly recognized this in its own far-reaching proposals for tax reduction. It has also recognized that opportunities for such action do not come often. Both the "long view" and high statesmanship will be required to capitalize on this opportunity.

The long view, in recognizing that well structured and well timed tax reduction-reform can more than pay for itself in added revenues over time—that it can help convert today's deficits in a slack economy into tomorrow's surpluses.

High statesmanship, in resolving individual differences over the precise sharing of immediate tax benefits by invoking the general interest in the long-term health and growth of the economy.



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WORLD BUSINESS: HOW IT AFFECTS YOU

ANOTHER IN A SERIES OF REPORTS BY THE ECONOMIST INTELLIGENCE UNIT OF LONDON. LARGEST PRIVATE INTERNATIONAL ECONOMIC RESEARCH AND FORECASTING ORGANIZATION

BRITAIN IN OR OUT: WHAT IT MEANS

WHETHER OR NOT Britain joins the European Common Market, the effects will be felt by businessmen in the United States.

What is obviously at stake is a market worth \$1.1 billion—the value of U. S. exports to Britain in 1961.

Equally in the balance are sales to Eire, Denmark and Norway, which will follow Britain into the European Economic Community if it joins, or remain outside if negotiations fall through. Thus, the value of U. S. exports involved—\$1.4 billion last year—amounts to over six per cent of total sales abroad.

What will happen to the United Kingdom market if Britain joins EEC? As far as direct exports are concerned, Britain would be obliged to align its tariffs with the common external tariff of the EEC-in general slightly lower than present British duties. At the same time duties toward Commonwealth countries would be moved up to the common external tariff. Thus, by 1970-the date for completion of this operation-all preferences given by Britain to imports of manufactured goods from the Commonwealth would be ended.

Another obligation is that Britain would move toward completely duty-free entry for all goods from other EEC countries—again by 1970. At the moment of entry, which could be mid-1963 or January 1964, Britain would cut duties on EEC imports by as much as half.

U. S. exports would be affected by these measures in three ways:

1. The adjustment of the British

tariff schedule would make many American goods slightly more competitive than they are now. In the consumer sector, where a British purchase tax is charged on the dutypaid value of imports, this can be important—for example, on autos.

2. Removal of internal tariffs would mean that U. S. exports would face a heavy handicap in the British market compared with goods from the Continent. This handicap would increase between the date of British entry and 1970. U. S. exports to the

present members of the EEC would also be affected by this internal free trade system. At present they meet the same tariff discrimination as British goods, but by 1970 at the latest all British exports to other members of the Common Market would be free of duty.

3. To offset the disadvantages to direct U. S. exports, there is the potential increase in European purchasing power, the expected strengthening of foreign exchange reserves and a trend, which comes

GLOBAL TRADE TRENDS

Tariff changes in 1963 will bear watching; the European Common Market's barriers against outsiders are slated to rise again July 1 and South and Central American preference margins on intraregional trade will widen . . . Mexico is gearing its industrialization to the Latin American Free Trade Area rather than the national market with an eye to economies of mass production; it could become an important competitor-and an increasingly attractive investment field . . . Central America's 10 million-strong Common Market has grown by 1.3 million potential consumers with Costa Rica's signing of the General Treaty . . . Japan, free from regional groupings that are preoccupying most major trading nations, continues to liberalize imports on a global basis and is extending a warmer welcome to foreign investors . . . Two European nations, also free of regional ties, seem set to pull out of recent doldrums: Spain's development plan, due in 1963, may set annual growth in per capita income at five per cent; Turkey aims at over-all growth of seven per cent a year. Both need foreign investment . . . Watch for orders following a United States \$31 million loan to Pakistan for railway equipment . . . Africa's newest state, Uganda, has joined the ranks of investment-seekers and offers interesting opportunities for those prepared to nurse a potentially rewarding market for consumer goods.



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Want to find where you belong? Check with others in your field. Ask your suppliers. Or write to Association Service Department, Chamber of Commerce, Washington, D. C.

When you join and support the association in your field you help yourself and your whole industry.



POINTERS FOR PROGRESS

through trade and professional associations

WORLD BUSINESS: HOW IT AFFECTS YOU

continued

from higher earnings, toward more sophisticated buying habits.

These factors will all work in favor of purchases from the U. S. regardless of the marginal cost differences arising from tariff discrimination; the common external tariff is lower than the present average of all EEC and United Kingdom tariffs on manufactures, so that the present advantage given to domestic goods would be slightly reduced.

The other condition, however, which would contribute to higher imports of U. S. goods, a firm exchange reserve position, does not exist at present. Although this does not mean control on dollar spending to any marked extent, it does result in a policy of high credit rates, which curb both industrial and private spending.

One of the consequences of British membership in the EEC is expected to be the underpinning of sterling,



At stake: \$1.4 billion in exports

which should reduce the need for severe credit restriction—other internal economic factors being equal—while a coordination of monetary policies may also make it more difficult for the British government to adjust its bank rate to a significantly higher rate than that of its Common Market partners.

One of the most vital factors which will affect the whole future direction of U. S. trade policy, President Kennedy's trade expansion plan, hinges directly on British entry. The main premise of this plan is that the EEC and the U. S. should both reduce tariffs to zero or to a very low level on all manufac-



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WORLD BUSINESS: HOW IT AFFECTS YOU

continued

tures of which together they supply at least 80 per cent of world exports.

In fact, however, there are no significant groups of products in which the present members of the Common Market and the U. S. are dominant suppliers to the extent of 80 per cent of world exports. It is only when Britain and the other likely members of the EEC are included that this condition can be met.

But Europe has still to be sold on the idea of lowering industrial tariffs on the scale proposed by President Kennedy.

Here, again, Britain is the key. If Britain is not in the Common Market the member countries would tend to be much less willing to lower tariffs to their industrial rivals, which would then also include Britain as well as the U. S.

In addition, there would be an understandable reluctance to extend economic concessions, amounting to free trade in many industrial products, to a country which would have refused to pay the price of full EEC membership. The U. S. would be unable then to negotiate extensive tariff cuts with the Market because any such cuts made by either party must, under the General Agreement on Tariffs and Trade, be extended to all GATT members, which include Britain.

A failure of Britain's bid to join the EEC would have other direct implications for U. S. business.

A possible advantage is that U. S. exports would compete on the same terms as at present against those from the Common Market members. But the competition from European goods will tend to increase as the Continental firms, with their present domestic market of 180 million people, begin to rival American companies in scale of production.

At the same time Britain in isolation would find it harder to make a living. The advantages to the U. K. of preference in Commonwealth markets are declining, and will almost inevitably decline further as these emerging countries raise their tariffs to protect the new

industries which they are increasingly setting up. The competition to British exports from Common Market suppliers will also stiffen during the present decade.

Under these conditions it is extremely difficult to see how the British government could remove its present checks on spending.

Furthermore, the spur to fresh industrial investment which membership of the Common Market would give, and which would almost certainly attract a handsome volume of U. S. direct capital expenditure on plant and equipment, would be lost.

A failure to join would also have a marked psychological effect on the world's financial markets that would be reflected in a withdrawal from sterling, leading perhaps to a period of import restriction.

Summing up: U. S. business would best be served by British membership in the European Economic Community. With Britain out of the EEC, the U. S. should be wary of a tendency of the world to shrink into tight economic groups, and even of a stagnation in trade with Britain, now the largest European purchaser of U. S. goods.

OPPORTUNITIES IN THE WEST INDIES

The Caribbean is often regarded as a political trouble spot too close for comfort to the North American mainland. But within this simmering cauldron the West Indian territories stand out as bastions of stable democracy. They provide attractive nearby footholds for U. S. traders and investors, as well as convenient stepping-stones between the U. S. and Central and South America.

This is a particularly appropriate time for U. S. businessmen to take a closer look at these territories. In August, the two largest islands—Jamaica and Trinidad—became independent nations. Close ties with Britain will remain, but many maternal apron strings will also be loosened, and the emergent nations will naturally turn increasingly toward the U. S. as the nearest major power.

If Britain joins the European Common Market this process may be accelerated; U. S. exporters could

How to Explain Your Need for Automation to Top Management

Usually, the middle-management group in any office, being closer to the paperwork problem, realizes the need for basic office automation much sooner than the top management group that must approve the purchase of automated equipment.

The result is—middle-management often must sell top management on the concept of basic office automation. To do this, it is best to strike at top management's greatest concern—the spiraling costs of doing business—then show how basic automation's greatest feat is the lowering of office costs. The lower costs result from the increased productivity of using machines to do the many office tasks now done by hand.

First, clear away a few misconceptions: the idea that automation means a multimillion dollar computer installation (it does not); the notion that learning to operate automated equipment is a complicated, time-consuming process (it is not); the idea that office automation will upset smooth-running procedures. (Quite the contrary—automated equipment will greatly improve work-flow procedures.)

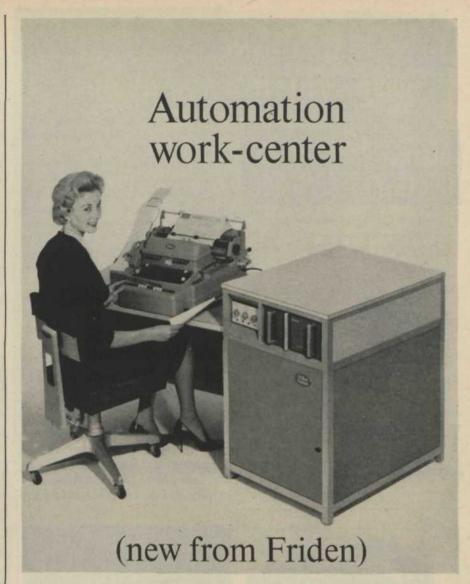
Now, explore how office automation can cut company costs.

Take your present expenses: the costs of getting out letters, purchase orders, inventory records, bills, invoices, and payrolls—the mountain of routine paperwork. How many people do you have tied up in this operation? How much time does it take them to get the work out?

Basic office automation may double the productivity of each employee. How? Basic business data is captured in punched tape or punched card form; these tapes and cards, when fed into other machines (or back into the machine that created them), do repetitive typing, figure billing, write sales and purchase orders, keep inventory records, and compute payrolls—in almost entirely automatic operations. Further, this work is done with great accuracy.

Take future expenses: as your business grows, must your office staff grow? No! At least not for doing routine paperwork chores. A constant number of workers can handle a growing volume of work. This is perhaps the greatest benefit of office automation: it helps hold the line on the growth of office personnel as your business grows. Automation keeps your company competitive—and profitable.

Learn more about basic office automation, how it can help lower your present and future operating expenses, by calling your local Friden man. He will be glad to discuss it with you and your management staffs. Or write: Friden, Inc., San Leandro, California.



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Examples?

BILLING: The Computyper writes and computes your invoices automatically. Then, by reading its own by-product punched-paper tape, it prepares an accounts receivable register or other statistical reports. By-product cards from this operation enable the CTP (or tabulating machines) to prepare statements automatically.

INVENTORY: While doing your billing, the Computyper automatically updates your inventory figures.

PURCHASE ORDERS: The Computyper writes your purchase orders, then it uses its own by-product tape to prepare voucher checks, receiving reports, purchase commitment analyses—all automatically.

SALES ORDERS: The Computyper prepares your sales orders, then—controlled by its own by-product tape—it produces work orders, bills of lading, shipping memos...automatically, of course.

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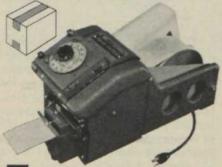
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WORLD BUSINESS: HOW IT AFFECTS YOU

continued

benefit from the elimination of the islands' preferential tariff on imports from Britain.

A glance at the islands' economies suggests the brightest selling lines for American exporters. Jamaica's bauxite and alumina production (three out of four operating firms are U. S.-owned) and Trinidad's oil fields and refineries are major elements in growing industrialization.

Manufacturing industries are also becoming more important to the islands' livelihood, and it is these that provide your key to imports. They produce an expanding variety of goods, largely of a simple type and in a low price range.

The U. S. can provide much of the equipment and often the materials, such as textiles, semifabricated metals and basic papers and chemicals, for these factories. At the same time, the industries are helping to put more money into the



Oil gives boost to West Indies

islanders' pockets. All this means a growing demand that goes with higher living standards—the sort that American industry can readily supply.

You can sell most kinds of goods in the West Indies. Such lines as processed foods, cosmetics, textiles and clothing designed to appeal to these tropical communities, metal furniture, such household durables as stoves and refrigerators, and a host of miscellaneous consumer items should benefit in the next few years.

There is much untapped potential

for U. S. salesmen in these islands; West Indian tastes are veering away from traditional British goods toward American styles. The U. S. can also outsell Canada in many lines, though you should be wary of the effects of Canadian devaluation, and make sure your product is competitive in price.

Many American businessmen are finding it more profitable to invest in West Indian factories than to ship goods to the islands because of their proximity to the North American market and to Latin America.

Manufactures that involve simple production processes and a high labor content predominate. Food preparations, wood and paper products, plastic goods, and, most of



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all, basic cotton textiles, clothing and footwear are examples.

NEW LOOK AT MEXICAN MARKET

Doubting Thomases may be confounded by events in the Latin American Free Trade Area; already there are indications that intraregional trade, although still extremely limited, has received a shot in the arm.

Mexico in particular is developing a sophisticated approach, not always wholeheartedly welcomed by its partners, to the problems of supplying a market which, it is be-



lieved, could take some \$350 million a year of Mexican goods.

The biggest openings are for machinery-perhaps as much as \$170 million a year-and industrialization plans are being tailored to this situation. The government aims to obtain economies which would be impossible in relation to the national market alone. To prevent uneconomic production, it will try to avoid duplication of investment in the same activity. It has already taken action to limit the number of models of a particular article produced in Mexico and to reduce dependence on imported parts for assembly.

In the short term this may not mean much to the American exporter to Latin America—though it could add to the attractions of Mexico as a location for U. S. investment—but in the longer run it could mean much greater competition for U. S. goods, particularly if Mexico achieves not only lower costs but also lower prices through large-scale production—by no means a necessary consequence if competition is stifled.



The Mutual Benefit Life guaranteed monthly incomes are unusually high. For example, if you are a man age 65, you are guaranteed for the rest of your life a monthly check for \$6.32 for every \$1,000 of proceeds. Such a guarantee is of particular significance to business and professional people who must provide their own retirement incomes. For more information about this and other important Mutual Benefit Life features, just write for "Seven Significant Benefits."

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WORLD BUSINESS:

U.S. COMPANIES FACE CHANGES

Going international has an important impact on policies and operations

As American business becomes increasingly world-minded, significant changes are taking place in operating methods.

Among them:

- ▶ Programs for training and promoting men are being re-examined.
- ▶ Businessmen are learning they must adapt themselves to foreign ways.

There is a suspicion—in some men, a certainty—that within the foreseeable future almost every phase of corporate activity will change as a result of stepped-up competition for international business.

Here's a closer look at the major developments:

Training under review

Will future corporate management be brought up only through the domestic side of your company, or should your men have overseas experience?

Will you move foreign employes into the stateside operation?

Should and will foreigners even be considered for your own job?

This is the most iffy of all the possible effects of your entrance into world trade.

"Men in the international field, whether they are Americans or for-

eigners, tend to stay in that field," says Charles Scribner, vice president-personnel of Remington Rand. "We anticipate no need for foreign nationals in our domestic operations in the foreseeable future anyway."

Harold Blancke, chairman of the Celanese Corporation of America,

says:

"I don't think it is essential for a top management man to have worked in the broad international field, but he must be aware and have a sympathetic understanding of it."

On the other hand, an oil company official maintains that "if we are really going to be a global enterprise, I believe that eventually we must and will have truly inter-

national management."

Frederic Pamp, manager of the international management division of the American Management Association, adds: "We have to find some way to compare the performance of men all over the world and give them an even shot at top management. After all, this is what makes foreigners want to work for American firms. They want a chance to be promoted."

Few companies so far are putting American employes into overseas jobs with the deliberate intention of training them for future assignments. Few companies are moving foreigners into key positions except in their international divisions. But external forces may bring a change

of thinking.

As a company's foreign operations account for an ever larger share of total sales and earnings, the pressure to place affairs in the hands of men experienced in world trade mounts.

The shortage of managerial talent is world-wide. Can an American company, therefore, afford to bypass a comer simply because he is a foreigner?

The young men in business today are beginning to seek out foreign

assignments.

"In the past," says J. Francis Canny, of the executive recruiting firm of Hoff, Canny, Bowen & Associates, "many ambitious young men were afraid of being sent overseas because they figured their companies either wanted to get them out of the way or would forget them. But today they look on the international field as the great new horizon. There they can learn a lot, do a lot and their performance will be noted."

Collaterally, many executives are coming to the same realization—

The merchant who did something about the weather!



"Everybody talks about the weather, but nobody does anything about it." (Mark Twain.) This merchant got tired of losing business every winter because icy streets kept customers at home...decided he would do something about it!



So he brought up the problem at a Chamber of Commerce meeting, found everybody else was losing business too. Next step: to see to it that the city starts to use ice-melting salt, to keep streets "open for business" all year long!



Using facts and figures supplied by Morton Salt Company, a committee of businessmen convinced city government that bare pavements are good politics, as well as good business. That winter, streets were kept clean with Morton Safe-T-Salt.



Now business is up all winter long, regardless of weather severity. Shoppers are happy, so merchants are happy—voters are happy, so city government is happy. Moral: Mark Twain was a wonderful writer—but don't believe everything he said!

Bare pavements mean good business for everybody. But icy streets and sidewalks hinder traffic, annoy shoppers, slow down deliveries, endanger vital services.

Your city can't afford this—but what are the alternatives? Sand, cinders and abrasives? They won't remove ice and packed snow, are easily dispersed by wind and traffic, leave gritty pavements and clogged sewers. Expensive de-icing

chemicals? They cost up to twice as much as rock salt, yet actually do a less efficient job than rock salt!

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CHAPIRO-BLACK STA

Harold Blancke, Celanese Corporation of America: "I do not think that it is essential for a top management man to have worked in the broad international field. But he must be aware and have a sympathetic understanding of it"

B.C. Christensen of IBM: "We start with an American sales plan, turn it over to our manager of sales planning, who is German. He has come up with ideas which the parent company is considering adopting itself"

"Men in the international field tend to stay in that field. There is no need for them here in the foreseeable future," asserts Charles Scribner, Remington Rand's vice president for personnel, in discussing effects of global business

that the foreign market is a good training ground for their young employes.

"There is none better, in fact," maintains Hans Truenfels, president of George Fry & Associates International, consultants. "A foreign market is the only field where a man can get the same kind of training he would have gotten 40 years ago. He learns every phase of business. He has to make longrange plans, do day-to-day business, meet emergencies."

Training of foreign employes in American business methods is being pushed by almost all companies that have gone overseas, but especially by those with controlling interests in foreign plants. This inevitably puts the foreigner in a better competitive position when a company has a job to fill.

European salary scales are rising. In time, some authorities feel, these scales should level off close to American scales. There will also be a leveling off of social security benefits between countries.

As this happens, American reluctance to vault a man into a higher position just because his salary is too low will probably vanish. The foreigner becomes a real competitor for a U. S. job.

Foreign technical and scientific people probably will be among the first hired in numbers. Companies with foreign research and engineering staffs are looking to these increasingly for assistance.

For example, Knorr soups were developed in Switzerland. When Corn Products Company decided to introduce them in the United States, it brought its Swiss scientists here to adapt the soups to American tastes.

The development of IBM's 1401 series computers, on the other hand, was strongly influenced by the needs of the European market. Basic work on the design was done in the company's U. S. laboratories, but its West German and French laboratories made major contributions

Adapting to foreign ways

William A. Marsteller, of Marsteller, Inc., tells of the successful Indiana businessman whose company has been doing a steadily increasing business abroad since 1950. "He should be a happy man, comfortable with his progress in changing his company to a world marketer. But he is ill at ease, frustrated, a little insecure. He's been having some new experiences.

"He speaks no language except

Before you buy your '63 fleet cars, read the 7 reasons why Ford gives your company more for the money

1. MORE SERVICE-SAVING FEATURES—Ford-built cars require less maintenance than any other cars on the road. All Fords (except Falcon bus and club wagons) go 36,000 miles between major chassis lubrications . . . 6,000 miles between oil changes and minor lubes . . . 36,000 miles between fuel filter changes . . . 24,000 miles between wheel bearing repacks . . . brakes are self-adjusting . . and batteries have extended life. One routine stop every six months (or 6,000 miles) takes care of all normal maintenance. Service costs and downtime are cut to a bare minimum.

2. Fords in history. Even the little things have been improved . . . carpets, for instance, are heavier, tougher and more durable, and increased use of zincrich primer gives greater rust and corrosion protection than ever before. These '63 Fords are rugged!

3. Ford has invested \$100 million to improve product quality. The aim: to make Fords the most reliable cars on the road. The program has been so successful that Ford has extended the warranty* on all Ford cars to 24 months or 24,000 miles . . . proof that today's better built cars are being built by Ford.

4. MORE MODELS—Ford offers the longest line of sedans, hardtops and wagons in the industry —44 models, including full-size Ford Galaxies, middleweight Ford Fairlanes, compact Falcons, and

for special prestige, the fabulous Thunderbird. No matter what your business needs, there's a Ford to fit them *exactly*.

5. MORE SAVINGS—Ford savings start with the purchase price, and keep right on going. You save on routine service, thanks to twice-a-year (or 6,000-mile) maintenance. You save on repairs, because these cars are ruggedly built to withstand more wear-and-tear driving than ever before. And your work force saves time because these rugged Fords are designed to stay on the road . . . and off the rack.

6. THUNDERBIRD STYLING—There's trendsetting Thunderbird styling throughout the long Ford line—an added plus that pays off in company prestige and increased employee morale. And this year, the Ford Galaxie also has a new velvet-smooth ride developed by Ford at a cost of over \$10 million.

7 MORE VALUE AT TRADE-IN—It stands to reason that these Fords, built to give you many thousands of miles of rugged dependability, will still have plenty of life left in them when it comes time to trade. This means that you can expect a higher resale value than ever before in Ford's history.

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CHANGES

continued

English. When he was preparing for his trip to Europe, his friends told him, 'Don't worry; everyone in Europe speaks English.' And mostly they did. But when he got to his joint-venture company in West Germany, he found that superintendents and foremen didn't or did so with great difficulty. He wanted badly to compliment them on their work. Using an interpreter he realized that the words were coming through but that his conviction and esteem were not. The personality that is warm and winning in Indiana was simply neutral in Germany.

"In France he met with a licensee and two attorneys to agree on a contract modification. Sales compensation was stated in new francs in the document, and he found that he was the only one who could not quickly relate dollars and francs. In his pocket was a plastic currency converter, but he was too embarrassed to use it.

"In Belgium, a business associate had a dinner party for him, and the conversation kept getting back into French and losing him. He found himself realizing that there was really something faintly insulting in the whole situation. The others were vaguely irritated that here was another American businessman, eager to be a part of their economy. but unwilling to be a part of their culture. He was somewhat annoyed because here was a group of people, eager to make or sell his products, who couldn't understand what he believed to be the universal language of business."

Going international also means your products will have to be designed more with the peculiar requirements of the foreign market in mind.

For instance, when development work is about to start in an International Business Machines laboratory, the IBM World Trade Corporation is immediately asked to present the requirements of its markets. "It's impractical to make 93 different product lines for the 93 countries we serve," says B. C. Christensen, executive assistant to the president of the World Trade Corporation. "All our products are almost identical no matter where they are made. But they are designed so they can be readily adapted to each overseas customer's requirements."

Foreign manufacturing and mar-

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keting techniques will bring changes in the methods you have long used.

How extensive these changes will be nobody knows. So far, the great majority of U. S. companies is operating overseas pretty much as in this country. But as one executive says, "We're beginning to get a playback of new ideas. Even our people in underdeveloped nations have shown us ways to improve manufacturing operations at home."

At IBM changes in marketing are coming in another way. "An American has an essentially American viewpoint," Mr. Christensen says. "So here at the IBM World Trade Corporation we start with an essentially American sales plan and then we turn it over to our New York-based manager of sales planning, who is a German. He works on the plan and then goes over it with a sales planner of the parent company. He has come up with ideas which the parent company is considering adopting itself."

Many U. S. firms are teaming up with foreign firms in joint-venture arrangements—and, in many instances, the foreign firms own the

majority of the stock.

Not long ago, such arrangements would probably have been anathema to you. Either you went into foreign trade through simple licensing arrangements or you set up wholly owned foreign subsidiaries. But today, according to bankers and lawyers who are frequently called in to help companies get established overseas, there is a strong shift to joint-venture, or partnership, arrangements.

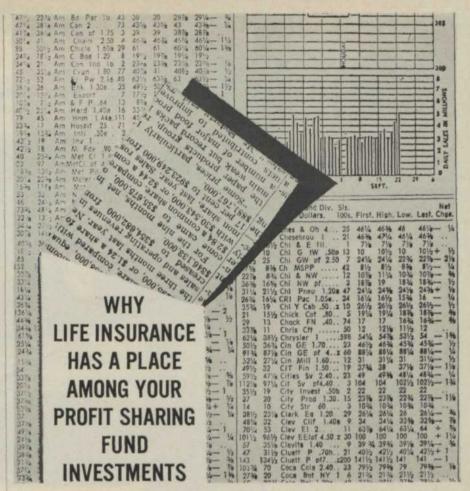
In the past three years, says William F. Butler, vice president of Chase Manhattan Bank, only four out of every ten U. S. firms going international sought 100 per cent control of their foreign plants; less than two have set up licensing agreements. The remaining four have gone into joint ventures, and of these, only about half demanded a controlling interest.

Joint ventures, however, are not foolproof. They might solve many of the problems caused by 100 per cent ownership; but they are likely to be more difficult—even though more rewarding—than simple li-

censing arrangements.

"After all," says Joseph S. Cardinale, of the New York law firm of Momsen, Freeman & Cardinale, "if you have an equity interest in a foreign company, you are going to have to take a more direct interest in the business of that company than if it were a licensee."

-STANLEY SCHULER



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WORLD BUSINESS: WHY EUROPEAN MARKET IS GROWING

Consumer authority, after foreign tour, reports on changes in Europe's buying pattern, predicts its impact on America

Dr. George Katona, the author, is director of the Economic Behavior Program of the Survey Research Center, University of Michigan. He recently visited a number of European countries for the purpose of assessing changing consumer buying habits and determining progress made in measurement of consumer spending patterns. The latter is an undertaking for which Dr. Katona has become well known in the United States and abroad. Dr. Katona is the author of numerous books and articles, including "The Powerful Consumer" and "Consumer Expectations: 1953-1956."

RADICAL CHANGES in Europe's buying habits will have an important effect on the future of American business.

In the first few years after World War II, business investment exclusively stimulated West European economies. The enormous devastation resulting from the war prompted huge rebuilding efforts by business and government. Consumers played a very small role.

I felt this could not last. So, over the past 10 years, I have gone back repeatedly to find out when consumers in Europe would start to have the same sort of impact there that they have here.

Now that has taken place. Recently, Europe's boom has been an automobile boom, a household equipment boom-in short, a boom stimulated by a sweeping change in consumer buying habits.

When I was a child in Europe, there was a thin

upper class in each country. The rest of the population did not really serve significantly as consumers.

There was also a growing middle class. One of these people's major habits was to make things last. They inherited furniture, rugs, china from their parents or grandparents and repaired and maintained them—but didn't buy new items. There was no mass consumption in discretionary goods, which really stimulates an economy—no high-turnover consumption.

Now the situation has changed radically. American distribution methods have increasingly been adopted, whether it is stores resembling our five and tens, or department stores advertising on a large scale, or supermarkets. Consumer wants were born.

Everybody in Europe is flabbergasted by the traffic jams. The increase in car ownership is fantastic. The same thing goes in other lines.

They started almost from scratch, except for the upper-class, in central heating. It was not known except to a few really wealthy people. Today millions of middle-class Europeans want it, and buy it. The same is true of refrigerators, television sets and washing machines.

Telescoping progress

One could say that processes which took several decades in America—the automobile in the 1920's, the automatic washing machines and television sets in the 1950's—are being condensed within a few years in the Common Market countries.

Not so long ago you had to shop in separate stores in Germany for eggs, for meat, and for bread. The idea of a supermarket is revolutionary there. Europe still doesn't have as many supermarkets as we have, but the number is growing rapidly.

So, there is some Americanization, although it is not imitation, not exactly along the same lines. Generally, this is a consequence of increasing affluence. Affluence does not consist of saturation, of being fat and lazy, but consists of masses of people having many new needs and wants and the means to satisfy them.

What does all this mean for U. S. business? International trade is always most extensive among well off countries. The greater the European prosperity, the greater is their need for foreign as well as domestic goods.

European countries have sizable tariffs on American goods. Nevertheless—not counting our northern neighbor, Canada—they are our best customers. There will continue to be great opportunities for the sale of American consumer goods in the Common Market countries. American products generally have a good reputation there.

To some extent anything about America is interesting to Europeans. A Swedish economist told me there is no question of more burning interest to them than: "Will there be a recession in America?" There are other people who strongly believe that if they want to look ahead, to see how Europe will look five or 10 years from now, one necessary step is to find out











HOW THE NATIONAL CHAMBER DETERMINES WHERE BUSINESS STANDS ON NATIONAL ISSUES

In its testimony before Congress, and in all of its activities in behalf of business, the National Chamber is guided by policies established by the majority opinion of its members. This is the way in which the Chamber's policies are formed:

Any member of the National Chamber—organization, firm or individual—may submit an idea or suggestion for a proposed policy. The only qualifying factor is that the proposal must be "national in character, timely in importance, and general in application to business and industry."

When suggestions having to do with policy come in, they are turned over to an appropriate departmental or specialized committee. More than 30 committees are active throughout the year.

THE ROLE OF DEPARTMENTAL AND SPECIALIZED COMMITTEES

More than a thousand business and civic leaders and professional men—each an authority in his own field—serve voluntarily and without pay on National Chamber committees.

Each committee represents an important sector of the economy, or deals with a particular group of national issues. Each committee analyzes trends and problems in its own field.

After completing its study, the committee prepares a report, together with a proposed new policy declaration—or a proposed revision of an existing policy—and presents its recommendations to the Chamber's Board of Directors.

The committees do not formulate policy; they make recommendations.

Nor does the Board of Directors formulate policy, except in the rare case when the Board recognizes that an emergency exists with respect to an issue on which the Chamber has no adequate policy—and that the time is too short to establish a policy position by the regular procedure.

Emergency policy requires a two-thirds vote of the Board; the reasons for the action must be reported to the membership.

When the Board of Directors receives a policy proposal from one of the Chamber's committees, it discusses the proposal, and also studies the situation which led to the framing of the proposal. Then, after making whatever recommendations it sees fit to make, the Board usually refers the proposal to the Chamber's Committee on Policy.

The Board may, however, submit the policy proposal to the Chamber's membership for referendum.

THE ROLE OF THE POLICY COMMITTEE

The Policy Committee reviews policy proposals, coordinates the proposals, publishes them in a "Preliminary Report," and mails this report to the Chamber's affiliated organizations six weeks or more in advance of the annual meeting.

Thus, the affiliated organizations and their members have time to study the proposals well in advance of the annual meeting, to send in their comments and suggested changes to the Policy Committee—and to be prepared to discuss the proposals, and to vote on them, at the annual meeting.

At the annual meeting, the delegates are encouraged to speak out for or against any policy proposal.

A delegate may appear before the Policy Committee—or he may speak from the floor of the policy session at which the proposals are acted upon by the Chamber's membership.

Every delegate is given a full chance to be heard, and to make whatever recommendations on a proposal he may care to make.

ACTION AT THE ANNUAL MEETING

By their vote at the annual meeting, delegates representing affiliated organizations may:

- a) Approve, reject or amend a proposed policy;
- b) Order it to referendum; or
- c) Refer it to the Board of Directors for submittal to a committee for further study.

The National Chamber does what its members want done.

In its testimony before Congress, and in all of its activities in behalf of business, the Chamber is guided by policies established by the majority opinion of its members.



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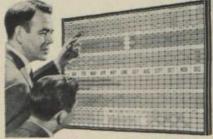
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EUROPEAN MARKET

continued

what has happened in America in the past.

In other words, we are in a paradoxical situation. Many people here envy Europe, because it has virtually no unemployment. On the other hand, Europe envies us for our high standard of living.

But the European standard of living is rising rapidly now. Wage rates increased much less than gross national product in the first postwar years. But last year, wage rates rose much more than gross national product in Holland, France, West Germany, Sweden. A similar discrepancy is likely this year.

This is partly because labor, trade unions, have become more aggres-Since there are so many goods the workers would like to buy, they demand a larger share in the national product. This trend is inevitable. Wage rates will rise substantially in Western Europe. This will cut the Europeans' comparative advantage over us in that respect. Obviously, West Germany and some other countries have developed their export markets and won't lose all their share. But the comparative advantage will be reduced.

I believe that what has often been called the Americanization of Western Europe will result in their countries also becoming subject to cyclical fluctuations. There are signs of this development right now.

Another example of radical change is installment buying. In 1949, not so long ago, the Oxford Institute of Statistics, a large British institution, decided to carry out surveys similar to our surveys of consumer finances. Some of us went over to England. The question was, how does one establish rapport with consumers so that one can ask the crucial questions? We explained that, in America, an easy way was to ask questions about installment buying rather than to ask such personal questions as: "How much money do you have in the savings bank?" They tried it out. It was a total failure. Some of the interviewers were thrown out of the house.

People in England considered debt a secret. Nobody should know about it. But today installment buying is one of the fastest growing industries in each Western European country. Installment credit doubled during the past five years in England, France and West Germany, but is still far below the percentage in the U.S.

Consumer credit will grow greatly in Europe in the next few years, and with it, understanding that consumption is a function of income. There will also be a greater understanding of the reverse: Income is a function of consumer needs or wants. The greater the wants, the greater the demand for higher income.

Another factor in the greater demand for appliances and other commodities in Europe is more extensive advertising. Market research also has become popular and grown. Market research was nonexistent before the war in any European country, because they assumed that the consumer would buy whatever was available. It was more a question of satisfying demand than stimulating demand.

One of the great ideas of America is that demand can be stimulated. Some of our popular writers believe we have gone too far. However, there is no doubt that our current. widely envied standard of living wouldn't be as high as it is without this stimulation. And the stimulation is not artificial because the consumer is not a fool. Over the long run we can't be stimulated to buy things which are useless and wasteful

Research spreading

Market research in Europe is where it started here many years ago, with the more elementary questions, namely, what kind of people, young or old, rural or urban, buy particular products? This is what some people here call "nosecounting" and is widely developed.

Germany alone has five large and prosperous market research agencies.

The more sophisticated approach -trying to answer the "why," and trying to find out about attitudes, incentives, and wants-is not so well developed, but it will come.

Some industrial motivation research is done, but not well as yet. Our main research at the Center is intended to assess general economic trends according to consumer satisfactions and preferences. A number of European academic and private organizations have begun similar studies, mostly on a small scale.

This kind of information, when available, will be useful to an American business operating in Europe or thinking of going into Europe. The subjective factors, people's aspirations, people's satisfaction or lack of satisfaction with what they have, are measurable and give clues to businessmen that are additional



Electricity made a door out of thin air and removed a sales barrier

Now nothing stops customers from walking in at Stern's Bergen Mall, Paramus, N. J. Electricity has done away with the old-fashioned kind of door!

In its place, electricity powers a flow of air coming down gently from nozzles above the doorway.

Entrance drafts are eliminated. Heating and cooling costs reduced. Dust, dirt and insects kept out. The interior displayed. An open invitation extended.

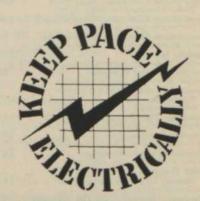
This is only one example of how electricity benefits business.

Today, electricity increases efficiency and sales in a multitude of ways. It melts snow with cables under roads, sidewalks and bridges. Bakes a potato to order in 2½ minutes flat. Powers everything from hand tools to bake ovens. Runs the most effective lighting and purifying systems ever known.

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Competition requires that you keep pace electrically. Ask an electrical expert for suggestions. No obligation, of course.



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EUROPEAN MARKET

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to the clues provided by data about incomes, assets, debts.

American manufacturers of consumer goods have every reason to study European developments carefully and to adapt their products and their merchandising policy to European circumstances because the European market is not only large, but is also growing.

The day may come when it may be both wise and necessary for some organization to conduct periodic surveys of consumer expectations and buying intentions in Europe so as to give European as well as American business necessary information on trends.

STATEMENT required by the Act of August 24, 1912, as amended by the Acts of March 3, 1933, July 2, 1946, and June 11, 1960 (74 Stat. 208) showing the ownership, management, and circulation of Narion's Business, published monthly at Dayton, Ohio, and Washington, D. C., for October 1, 1962.

1. The names and addresses of the publisher, editor, managing editor, and business managers are; Publisher, Chamber of Commerce of the United States of America, Washington, D. C.; Editor, Alden H. Sypher, Washington, D. C.; Editor, Sack Wooldridge, Washington, D. C.; Business manager. William W. Owens, Washington, D. C.

2. The owner is: Chamber of Commerce of the United States of America, said body being an incorporated organization under the laws of the District of Columbia, its activities being governed by a Board of Directors. The officers are as follows: President: H. Ladd Plumley, chairman of the board and president, State Mutual Life Assurance Company of America, Worcester, Mass. Chairman of the Board: Richard Wagner, chairman of the Executive Committee, Champlin Oil & Refining Company, Chicago, Ill. Chairman of the Executive Committee: Arthur H. Motley, president, Parade Publications, Inc., New York, N. Y. Treasurer: W. B. Camp, president, W. B. Camp & Sons, Inc., Bakershield, Calif. Executive Vice President: Arch N. Booth, Chamber of Commerce of the U. S. A., Washington, D. C. Vice Presidents: Walter F. Carey, president, Princess Coals, Inc., Huntington, D. C., John E. Griffin, president, Lewis Drugs, Sioux Falls, S. D.: Louis B. Lundborg, executive vice president, Bank of America, N. T. & S. A., San Francisco, Calif.; Edwin P. Neilan, chairman of the board, Bank of Delaware, Wilmington, Del.

3. The known bondholders, mortgagees, and other security holders owning or hold-

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3. The known bondholders, mortgagees, and other security holders owning or holding 1 percent or more of total amount of bonds, mortgages, or other securities are:

bonds, mortgages, or other securities are. None.

4. Paragraphs 2 and 3 include, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting; also the statements in the two paragraphs show the affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner.

capacity other than that of a bona nde owner.

5. The average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the 12 months preceding the date shown above was: 768,947.

WILLIAM W. OWENS (Signature of business manager)
Sworn to and subscribed before me this 10th day of September, 1962.

[SEAL] ROBERT F. STAUFFER (My commission expires Sept. 14, 1964)

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IS THIS LAW NECESSARY?

THIS MONTH we are electing a new Congress.

Like its 87 predecessors, it will have the duty, under our Constitution, "to make all laws that are necessary and proper."

The men we elect should apply this yardstick scrupulously to the laws they will be exhorted to pass.

Is it necessary and proper, for example, to make laws that would:

Authorize appointment of a federal mayor who would exercise purse-string control over all the nation's cities?

Require Washington intervention in our local school systems by making them dependent on federal subsidies?

Tax workers and employers to pay for limited health care for some of the elderly?

But rejection of questionable schemes is not the primary duty of Congress. The Constitution's mandate is to make necessary and proper laws.

The new Congress has an unusual opportunity to meet this responsibility.

It can make an historic contribution to America's economic growth now and in the future by answering President Kennedy's call for tax reduction.

It can provide new impetus to the forces that made America strong by freeing transportation and other industries from federal regulation that has hobbled them.

It can avert the danger of giant unions paralyzing America by eliminating their exemption from the antitrust laws.

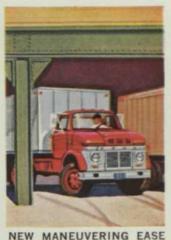
In the long run, their constituents—and the nation—will judge the 535 members of the new Congress by the laws they make.



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NEW CITY-SIZE DIESEL. New Ford 330-cu. in. Diesel Six for medium duty "N" Series gives greater dependability and about twice the miles per gallon of gasoline engines in typical city delivery operation.



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*Or consult your architect, builder, or interior designer. There's a Kentile Floor for every business, at every price. Over 250 colors in 5 types of tile.